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TODAY:
Blocking Cell Phones Page 37



Juan Antonio Samaranch, the president of the International Olympic Committee, shown on a large screen speaking at the extraordinary session.

NATO Gives Serbs A Final Warning

Allied Forces Prepare to Strike As Peace Talks Appear to Fail

By Craig R. Whitney
New York Times Service

PARIS — As Serbian forces continued to pour troops and tanks into Kosovo, European and American intermediaries in peace talks here prepared to shut down the negotiations without any agreement, probably on Thursday.

U.S. officials in Washington and French Foreign Ministry officials in Paris warned that the NATO allies were ready to carry out their threat to begin a vast bombing campaign against Serbian military targets in Kosovo and beyond unless President Slobodan Milosevic of Yugoslavia accepted an accord.

General Wesley Clark, the alliance's supreme commander, testified before the House Armed Services Committee on Wednesday that Serbian forces were "prepared to resume the conflict on a very large scale should these peace talks fail to result in an agreement or should they conclude that for some reason NATO wasn't serious in its expressed intent."



An Albanian woman crying Wednesday as she fled new fighting in Kosovo. A study found that 40 Albanians were massacred. Page 38.

Foreign Minister Hubert Vedrine of France, co-chairing the peace talks with Foreign Secretary Robin Cook of Britain, said Tuesday that NATO's decision to use force if the Serbs were the main obstacle to peace remained in effect. French diplomats added that France and the United States stood firmly with the rest of the allies in their determination to carry out the threat.

Before the talks break off, the ethnic Albanian rebels who have been fighting for the last year for independence for the province will sign the draft agreement that was worked out at Rambouillet outside Paris last month, according to mediators and representatives of the Albanian delegation.

"One signature, unfortunately, doesn't make an agreement," said the Russian mediator, Boris Mayorsky.

The draft provides for autonomy under Serbian sovereignty for a three-year transition period, and 28,000 peacekeepers under command of the NATO alliance to enforce its terms.

But mediators said Wednesday that Serbian negotiators were refusing even to discuss terms of how to put the agreement into effect.

"Based on talks the last few days with the Yugoslav side, we are not anticipating any further progress," said Christopher Hill, the American mediator.

Mr. Vedrine and Mr. Cook would confer with the mediators on Thursday afternoon about ending the talks, officials said, and could decide to make one more trip to Belgrade to try to get Mr. Milosevic to change his mind and accept the agreement as bave the representatives of the ethnic Albanians, who make up 90 percent of the province's 2 million people.

But diplomats said that it might take the bombing that NATO has been threatening since last fall to get the Serbian side to change its position.

Europe's Quandary

Former Prime Minister Romano Prodi of Italy emerges as front-runner to head the EU Commission.

• Prime Minister Tony Blair appears determined to push for fundamental reform. • Gerhard Schroeder tries to shape the outcome. Page 5.

Crisis Divides EU Between Reformers And Realists

By Joseph Fitchett
International Herald Tribune

PARIS — As they grappled with the downfall of the European Commission, the 15 member nations of the European Union betrayed discordant political cultures Wednesday in assessing the significance and seriousness of the crisis — and deciding whether it required a radical response.

Many capitals seemed inclined to treat the scandal as an embarrassing glitch, damaging Europe's credibility at an awkward moment but essentially a case of political naivete. In contrast, Prime Minister Tony Blair of Britain and analysts across Europe saw the crisis as a major event in the union in the 1990s, ranking it alongside the single currency as a challenge for European integration in the next century.

Mr. Blair, cautiously supported by Chancellor Gerhard Schroeder of Germany, insists that the crisis should jolt the EU into a commitment to greater accountability, arguing that a maturing EU needs more democracy in the system to sustain support among taxpayers and voters, and to buttress Europe's credibility in the rest of the world.

In the United States and, apparently, to a lesser degree, Japan and the rest of Asia, the scandal engulfing the European Union has an almost familiar sound of a legislature, in this case the European Parliament, holding the executive branch's feet to the fire.

In the new world of globalization, there is a convergence in the norms of governance in the world's democracies. The problem for the European Union, however, is that it has never been a government. Instead, the commission, usually backed by governments, has filled a technocratic role, building a single market and other economic structures with rare efficiency.

But the construction often proceeded in a closed world of bureaucratic horse-trading, where accommodation could get results and accountability was a complication. Breaking with that system, rebalancing Europe's institutions, and introducing new public expectations are daunting reforms, but the current scandal may provide a starting point.

For the moment, the European Union, has sustained a setback. For enthusiasts, Brussels had a multinational bureaucracy symbolizing effective integration. But skeptics, from Margaret Thatcher of Britain to Jean-Marie Le Pen of France, have demonized the commission as technocrats imposing European regulations almost by stealth and without accountability.

The strength of reactions to the scandal reflected the deep frustration in

6 Olympic Officials Are Forced Out

But the IOC President Receives a Convincing Vote of Confidence

By Christopher Clarey
International Herald Tribune

LAUSANNE, Switzerland — In an unprecedented move that its leaders characterized as the beginning of a major reform process, the International Olympic Committee voted Wednesday to expel six of its members for accepting payments and other inducements from officials involved in Salt Lake City's successful bid to be host to the 2002 Winter Olympics.

The IOC members also gave an overwhelming vote of confidence to Juan Antonio Samaranch, the IOC president, who had been criticized over the scandal.

The six members, all expelled by two-thirds majority votes conducted by secret ballot, were Agustín Arroyo of Ecuador, Zein Abidin Ahmed Abdel Gadir of Sudan, Jean-Claude Gangs of the Republic of Congo, Lamine Keita of Mali, Sergio Santander Fantini of Chile

and Paul Wallwork of Western Samoa. "At the risk of sounding Churchillian, I think we're at the end of the beginning," said Richard Pound, an IOC vice-president, in reference to reform.

Mr. Pound, a Canadian lawyer, headed the special internal commission that recommended that the six members be expelled. "I think we have a fair amount of work ahead of us to do to recover and regroup and move on," he said. "I think this is a good start, and while it was painful for us to do it, had we not done it it would have been very hard for us to move forward. It would have been something on our back all the time."

Each of the six expelled members was allowed 20 minutes to defend himself on Wednesday afternoon. The presentations were described as dignified, with no shouting or finger-pointing.

"It was a political decision," Mr. Santander said after the votes. "The

investigating commission did what it thought was right but the little countries are being made to pay."

Mr. Pound denied that there was any political or demographic bias in the inquiry.

Mr. Arroyo said he felt the commission had been too hasty. "The press, they wanted to have heads knocked down; mine happened to be in the way."

Mr. Gangs, the most vocal of the accused in recent weeks, said, "I wish this session had found out more about the truth and worked harder to establish it, but we accept this decision, as we have always said, with sportsmanship."

Four other members already had resigned after being implicated in the largest bribery scandal in Olympic history, and 10 other members have received official warnings from the IOC's executive board. An organization that began the year with 114 members is

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U.S. Senate Approves Missile-Shield Plan

By Brian Knowlton
International Herald Tribune

WASHINGTON — The Senate on Wednesday overwhelmingly called for the construction of a national anti-missile defense, a move certain to anger China and infuriate Russia, threatening the 1972 Anti-Ballistic Missile Treaty and raising questions about the future of arms agreements with Russia.

The proposal, which calls for deployment of a ballistic missile defense system as soon as it is "technologically possible," passed by a vote of 97 to 3. The House takes up similar legislation Thursday.

The overwhelming support for the

legislation would not have been expected even a few months ago, but backing grew in both parties as anger spread over reported Chinese spying at a U.S. nuclear laboratory, and following ballistic missile tests by Iran and North Korea.

"The Democrats are running scared on this," said Tom Collins, a spokesman for the Union of Concerned Scientists, which opposes the legislation. "The Republicans have had this issue for years. Now the threat has appeared and the Democrats were caught flat-footed."

As support grew, Senate Democrats on Tuesday withdrew their longtime opposition to the plan, and President Bill Clinton dropped a threat to veto the legislation.

The administration had wanted to delay a decision on deployment until June 2000. Putting a system in place was expected to take five years beyond that.

While the bill passed Wednesday is expected to have little impact on the deployment date, it has angered Moscow and been castigated by advocates of arms control.

It drew harsh criticism Wednesday on the Senate floor.

"We must not make the decision to deploy prematurely," said Senator Richard Durbin of Illinois, the assistant Democratic floor leader. Moving ahead without first renegotiating the ABM

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Korea Accord Applauded

Seoul Is Delighted by U.S. Deal With the North

By Don Kirk
International Herald Tribune

SEOUL — South Korean officials said Wednesday that they were relieved and happy about the deal reached by U.S. and North Korean negotiators calling for inspection of a suspected nuclear site in North Korea in exchange for food aid for the starving country.

"We really hope that suspicions about the site will be removed," said Song Min Soon, a security expert on the staff of President Kim Dae Jung. "The trend is now moving toward negotiated settlement rather than crisis."

That view summarized the outlook of a government that appeared to have gained new confidence in Mr. Kim's policy of reconciliation as the only way to end the armed truce that has marked relations between North and South Korea since the end of the Korean War in 1953.

Delighted South Korean officials,

once sensitive to any sign of direct talks between North Korea and the United States, said they not only welcomed the agreement but hoped the United States and North Korea would form diplomatic relations. "Normalization of ties with the United States would lead to further opening of North Korea with the global community," said South Korea's foreign minister, Hong Soon Young. The ultimate result, he predicted, would be "normalization of relations on the Korean Peninsula," that is, broad agreement between North and South Korea to deal directly with each other.

Mr. Hong mingled caution, however, with his optimism, calling the agreement "just the beginning of the process of confirming whether or not North Korea has a nuclear program" in violation of the Geneva agreement of 1994.

South Korean officials said U.S. and

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ANTI-APARTHEID ACTIVIST FOUND GUILTY — Allan Boesak after his theft and fraud convictions Wednesday in Cape Town. Page 2.

China Media Break Taboo on Questioning Giant Dam

By John Pomfret
Washington Post Service

YICHANG, China — The official press in China has begun publishing articles criticizing one of the biggest public works projects in the world, the Three Gorges Dam, which, if it is completed, will block the mighty Yangtze River and create a mammoth reservoir.

In the last three weeks, the People's Daily, the official newspaper of the Communist Party, and Xinhua, the official press agency, have written several reports drawing into question the project's funding and the government's ability to relocate residents whose homes and farmland will be submerged. Prime Minister Zhu Rongji raised concerns about the proj-

ect's engineering quality before the new reports.

Such reporting is significant because it indicates a growing chorus of opposition to the highly controversial project from within China's sometimes fractious bureaucracy. Western sources have said the Ministry of Finance has long opposed the project because of its expense. During an inspection tour of the construction site in December, Mr. Zhu warned against "any carelessness or negligence" that would bring "disaster to our future generations."

He called for the hiring of "foreign engineering-monitoring companies with good reputations" to audit key parts of the dam's construction.

No one expects that the project in this city 1,100 kilometers (700 miles) south of Beijing will be shelved. Its first coffer dam was in place by 1997. But some Chinese observers have predicted that it could be scaled back.

The project is highly sensitive politically because it is associated with the fortunes of Li Peng, Mr. Zhu's predecessor as prime minister and a longtime supporter of the interests of China's power industry. Any scaling down of the Three Gorges Dam would mark a significant defeat for Mr. Li, now the head of the National People's Congress, or Parliament. Allies of Mr. Li's at the Ministry of Water Resources have backed the project, sources say, because it has brought billions of dollars through its coffers.

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AGENDA

Duma Suggests Treaty Conditions

MOSCOW (AFP) — The Russian Parliament will ratify the key START-2 nuclear arms reduction treaty if the Kremlin backs controversial opt-out clauses proposed by lawmakers, the speaker, Gennadi Seleznyov, said Wednesday. "Everything will be all right with this treaty" if President Boris Yeltsin supports amendments to the Strategic Arms Reduction treaty, the Interfax news agency quoted the speaker as saying. The legislators' amendments would enable Moscow to withdraw from the accord under certain circumstances.

The U.S. Senate ratified the pact in 1996, and Washington has grown impatient with Russian stalling.

The Dollar			
	Wednesday @ 4 P.M.	previous close	
Euro	1.0998	1.0993	
Pound	1.6305	1.6292	
Yen	118.17	117.895	
DM	1.7789	1.78	
FF	5.9683	5.9698	
Dollars per pound and per euro			
The Dow			
	Wednesday close	percent change	
S&P 500	8,679.41	-0.51%	
Nasdaq	1,287.82	-0.68%	
	2,428.97	-0.42%	

Clinton Urges Ulster To Unite for Peace

WASHINGTON (AFP) — President Bill Clinton urged Northern Ireland's republican and unionist leaders Wednesday to "resolve their differences" in order to fully implement the Good Friday peace agreement.

"The parties must resolve their differences, and to do it they have to have the same spirit of co-operation and trust that led to the first agreement," he said. He was accompanied by Prime Minister Bertie Aherne of Ireland following a traditional St. Patrick's Day ceremony at the White House.

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Newstand Prices	
Bahrain	1,000 BD
Cyprus	€ 1.00
Denmark	17 DKr
Finland	12.00 FM
Gibraltar	€ 0.85
Great Britain	UK £1.00
Egypt	SE 5.50
Jordan	1,250 JD
Kenya	K SH. 180
Kuwait	700 Fils



Sephardim vs. Ashkenazim / Conviction of Aryeh Deri

Trial Turns Spotlight on an Israeli Culture Clash

By Lee Hockstader
Washington Post Service

JERUSALEM — They prayed for Aryeh Deri this week, and Israeli school boys recited psalms for him at the Western Wall. At synagogues in New York and Mexico, in Italy and Argentina, Mr. Deri's stalwarts entreated God for his acquittal, or at the very least for a measure of mercy when it comes time for sentencing.

But after nine years, 147 witnesses, 41,000 pages of court transcripts and extravagant legal expenses, the Day of Judgment was a harsh one for Mr. Deri, the embattled hero of Israel's Sephardic Jews.

The Moroccan-born Mr. Deri, 40, a kingmaker of Israeli politics for a decade, was convicted Wednesday of fraud, breach of public trust and taking bribes totaling \$150,000. The unanimous verdict of the three-judge panel in Jerusalem District Court stunned the nation and clouded the prospects of a man universally recognized as a political wunderkind. He could face up to seven years in prison.

[At a press conference, Mr. Deri promised to appeal the decision and said he would be vindicated in May 17 elections. The Associated Press reported from Jerusalem: "God did us a great favor that this verdict was passed two months before the elections," he said. "We will go to the public, from house to house and door to door, and we will see to whom the Israeli people give their trust."

Tall, handsome, charismatic and politically astute, Mr. Deri is a power broker who controls 10 seats in Parliament, enough to make and break governments, as leader of Shas, his brainchild and the third-largest political party in Israel. The party, founded by Mr. Deri in the mid-1980s, tapped fundamentalist religious fervor and the ethnic resentment of the Sephardic underclass-immigrant Jews from North Africa and the Middle East, to create a potent new force in Israeli politics.

The charges against him stemmed from his activities in government in the late 1980s. At the time, he was a top Interior Ministry official and later interior minister, a status that enabled him to shift large sums of money to local governments and social and religious organizations that made up Shas's fast-expanding support network, investigators say.

The investigation was widened to encompass suspicions that Mr. Deri accepted tens of thousands of dollars in cash and personal favors as bribes from religious groups and other organizations while performing his official duties.

Although he publicly denied the charges, his lawyers sought a plea bargain with the government, only to be rebuffed.

When the verdict in Mr. Deri's long-running trial was announced Wednesday, hundreds of thousands of Israelis were tuned in to the first live courtroom radio broadcast since the conviction of Yigal Amir, the assassin of Yitzhak Rabin. Hundreds of police reinforcements, some in plain clothes, fanned out to keep the peace and protect the court that renders the verdict. And one of the deep schisms in Israeli society, between European Ashkenazi Jews and Sephardic Jews, was on lurid display.

From one perspective, the Deri case is a story of alleged graft and corruption, a morality tale of a brilliant young man who rose too far, too fast and fancied himself untouchable until he was snatched in a venal web of his own making. That is the version, embraced by much of Israel's Ashkenazi elite, which dominates Israel's establishment.



Aryeh Deri greeted by supporters outside a Jerusalem court Wednesday. We won't be silent if Aryeh is convicted. We'll turn the world on his head.

Yet, there is a competing story line, one favored by hundreds of thousands of strictly religious Sephardic Jews, particularly those of Moroccan lineage who comprise the bulk of Mr. Deri's huge and devout constituency in Shas.

To many of them, the Deri case is a shameful episode of racist persecution, a conspiracy devised by the secular, light-skinned haves to keep the religious, swarthy have-nots in their place. Even if Mr. Deri skirted the law, his loyalists say, it was for a worthy cause — in effect, affirmative action for his downtrodden constituency — and he should be excused.

"Of course, he may have made mistakes, but he is not so bad he should have to go through this," said Rabbi Netanel Chaim-Shahar, a teacher at a Jerusalem religious school affiliated with Shas. "No one in history has ever had to go through this kind of judicial torture."

Rabbi Chaim-Shahar stood amid a deafening clamor Sunday morning at the Western Wall in Jerusalem's Old City, where 1,500 school boys, in the black velvet skullcaps and long sidecurls of the religiously devout, were bused in to read psalms and ask mercy for Mr. Deri. The pupils, some as young as 8, may not have been well versed on Mr. Deri's political career, but they did know (and had clearly been taught) that he had founded and inspired a large network of schools and Jewish seminaries.

"He is a person who has a clean soul," said 13-year-old Ben Ayahu.

With emotions running high, a number of Shas officials and supporters had threatened rioting or an insurrection if Mr. Deri were convicted, and all three judges received threatening phone calls. Mr. Deri distanced himself from the threats, and called on his supporters to "keep their anger bottled up in their hearts." In the event, the response of his backers was restrained, although many were plainly angry.

The allegations focused on Mr. Deri's powerful role in the Interior Ministry, from which he was forced to resign as minister in 1993 under growing pressure from the courts. He was charged with accepting bribes from three associates between 1985 and 1990, including expense-paid trips he made with his wife to London and New York. The three were also convicted Wednesday.

In return, Mr. Deri helped cover the sizable debts of a Jewish seminary run by his associates, the court ruled. To raise the money to pay off the debts, Mr. Deri arranged for government grants, made a fictitious purchase of a seminary building and falsified documents, the indictment charged.

A sentencing hearing is set for next Thursday. If he receives a light sentence, he could continue to serve in Parliament. However, a prison sentence that bars him from politics would likely inflame his supporters, many of whom regard the courts with distrust as a stronghold of the secular elite.

"We won't be silent if Aryeh is convicted," said a Shas activist, quoted in The Jerusalem Report, an English-language biweekly. "We'll turn the world on his head."

Boesak Guilty of Theft, Cape Town Court Finds

The Associated Press

CAPE TOWN — Allan Boesak, one of the most visible figures during the anti-apartheid struggle, was convicted Wednesday of stealing money donated to his charity, including funds from the singer Paul Simon.

Mr. Boesak was found guilty on four counts of fraud or theft totaling 1.3 million rand (now worth \$210,000) and accused on 23 other charges.

The accused willingly and unlawfully appropriated the money," Judge John Foxcroft said in declaring the former cleric guilty of one count of fraud and one of theft in the Simon case. "He treated the money as his own."

After a South African concert tour in 1988, Mr. Simon donated 682,000 rand to Mr. Boesak's foundation, but Mr. Boesak passed on only 423,000 rand to the charity, Judge Foxcroft ruled, using the remainder for his own benefit.

The judge said that part of the problem had been that trustees and donors had been blinded by Mr. Boesak's "larger-than-life personality" and reputation.

Judge Foxcroft also said that Mr. Boesak was guilty of the theft of 746,000 rand donated by a Swedish government aid agency. The money was supposed to have been used for voter-education videos but instead was spent on developing a radio studio to be used by Mr. Boesak's wife, Elina.

Mr. Boesak was also found guilty of taking a total of 308,000 rand to help buy houses in the Cape Town suburbs of Vredehoek and Constantia and of giving 14,000 rand to his wife.

Mr. Boesak stared straight ahead as Judge Foxcroft took almost three hours to read through the 27 charges. He refused to comment to reporters afterward.

The former head of the World Alliance of Reformed Churches was accused of taking more than 1 million rand for himself and misusing a further 8 million rand donated to the Foundation for Peace and Justice charity he headed.

After court was adjourned, about 30 supporters chanted "Viva Boesak" from the public gallery and banged their fists on its wooden benches. Supporters thronged around Mr. Boesak outside the High Court building and scuffled with photographers and cameramen.

The court will hear arguments Tuesday on what sentence Mr. Boesak should receive. He faces an unspecified fine or prison term. A defense attorney, Mike Maritz, said no decision had been made on whether to appeal the convictions.

The Swedish International Development Agency was distressed by the misuse of funds "intended for poor communities," said Lars Hook, the agency official who prepared the funding agreement for Mr. Boesak's group. Mr. Hook made his comments in Stockholm after hearing of the verdict.

Mr. Boesak's conviction comes after his bookkeeper, Freddie Steenkamp,

sentenced to six years in prison for embezzling cash from the foundation.

Once a top African National Congress leader in the Cape Town area, Mr. Boesak played a leading role in the anti-apartheid struggle that ended in the country's first all-race elections in 1994.

He gave up an appointment as chief delegate to the United Nations in Geneva when the scandal involving his charity emerged.

An ANC investigation cleared him of wrongdoing, but Scandinavian donors criticized the inquiry and prosecutors later filed charges.

Journal Backed By Soros Closes

By Steven Erlanger
New York Times Service

PRAGUE — The post-Communist world's only magazine devoted to analyzing the region's own transformations is dead, a victim of bad management and the shifting priorities of its main supporter, the financier George Soros.

The monthly Transitions, founded in 1994 and based here, published its last issue and will lay off its small staff at the end of the month, its publisher, Jan Urban, said Tuesday in an interview.

Much of its circulation of less than 8,000 was in the countries of the former Soviet bloc. The magazine and its World Wide Web site, which are in English, were one of the few common strands to link the professional, scholarly and political elites of the former Communist nations.

"It's a loss in every way," said Jiri Pehe, a former journalist and political adviser to President Vaclav Havel.

Jeffrey Fistein, former editor in chief of a Czech daily, Lidove Noviny, said Transitions was the only magazine to attempt comparative studies of development in the region on issues such as privatization, human rights, the treatment of minorities and crime.

It helped leaders avoid mistakes made by other countries, and it provided journalists and scholars in the region a chance to write for a wider audience, he said.

Mr. Urban said he had underestimated the difficulty of finding other financing when Mr. Soros told him he would cut back his yearly grant to the magazine.

The president of the Soros Foundations and the Open Society Institute, Aryeh Neier, said by telephone from New York that Mr. Soros simply did not want to finance indefinitely an expensive magazine of small circulation.

The magazine evolved from a research report by Radio Free Europe and Radio Liberty. Mr. Soros had subsidized it as part of the Open Media Research Institute.

Investigation of Amtrak Crash Gets Under Way

The Associated Press

BOURBONNAIS, Illinois — Federal investigators said Wednesday they were looking into whether the driver of a semitrailer drove around a crossing barrier in an attempt to beat an oncoming train, causing the nation's deadliest railroad accident in three years.

Officials with the National Transportation Safety Board said the driver, John Stokes, was just one part of the investigation into the wreck of the City of New Orleans, and that the train engineer and the warning system were also being examined.

At least 11 people were killed and more than 100 injured in Monday night's accident, federal officials said Wednesday, lowering the death toll to 13.

A member of the National Transportation Safety Board, John Goglia, said

the agency was frustrated with Amtrak's delays in getting accurate information about passengers to investigators.

Mr. Goglia also said investigators would wait for interviews Wednesday with the driver and the engineer before reaching any conclusions on the cause of the crash.

Amtrak's chairman, Governor Tommy Thompson of Wisconsin, said Tuesday that Mr. Stokes was trying to dodge the crossing gates, thinking the oncoming train was a slow-moving freight train instead of a faster passenger train.

Mr. Stokes has said the barriers did not go down until he was on the tracks.

Investigators also planned to recreate the driver's approach to the crossing to see whether he could see the train approaching, Mr. Goglia said Wednesday.

Authorities insisted that the gates were down and the signal lights flashing red when the train slammed into a semitrailer loaded with steel.

Mr. Goglia said that because of difficulties in getting information from Amtrak, investigators were unsure of the numbers of passengers on the train and whether anyone was still missing.

Earlier, authorities said the passenger train was carrying 217 people when it crashed at a rural crossing 50 miles south of Chicago, and that at least three people were missing.

Mr. Stokes told investigators that he did not see the train approach and that the warning lights started flashing after he started across the tracks. Mr. Stokes was driving on a probationary license after receiving three speeding tickets in a year, authorities said.

Balloonists Head for Atlantic

Agence France-Press

MEXICO CITY — A Swiss psychiatrist and a British former air force pilot remained on course Wednesday for accomplishing the first round-the-world balloon flight.

With one more ocean to cross after having finished the hardest stretch, the team headed toward the Gulf of Mexico and were expected near Jamaica early Thursday. But poor winds, fatigue, heavy fuel consumption and air navigation rules have conspired to make Bernard Piccard, 41, and Brian Jones, 51, after original flight plans.

After reaching Mexico on Tuesday night following a six-day, 16-hour Pacific crossing, the Breidling Orbiter-3 balloon had to leave its planned route, veering south toward Guatemala and Belize.

But the ground support center in Geneva said the team was likely Thursday to pick up jet-stream winds near Haiti and cross the Atlantic to complete its circumnavigation at between 1200 and 1800 GMT Saturday.

The balloon will have finished its odyssey when it crosses eight degrees longitude west over Mauritania, West Africa. When it left Switzerland on March 1 the balloon veered to this meridian to catch an eastward jet stream.

But the balloon is now unlikely to touch down in Egypt, contrary to earlier hopes, organizers said Wednesday. Meteorologists plotting the course would not be able to name a precise landing place before Thursday evening.

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Jewelry C. Dior, C. Lacroix, Y.S.L. Pens Dupont, Mont Blanc.

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WEATHER

Forecast for Friday through Sunday, as provided by AccuWeather.

Europe			
Today		Tomorrow	
High	Low W	High	Low W
C/F	C/F	C/F	C/F

Algeria	21/10	11/6
Amman	21/10	11/6
Antwerp	21/10	11/6
Athens	21/10	11/6
Bahia	21/10	11/6
Bangkok	21/10	11/6
Bombay	21/10	11/6
Buenos Aires	21/10	11/6
Calcutta	21/10	11/6
Cardiff	21/10	11/6
Chennai	21/10	11/6
Cairo	21/10	11/6
Cebu	21/10	11/6
Dhaka	21/10	11/6
Dubai	21/10	11/6
Edinburgh	21/10	11/6
Geneva	21/10	11/6
Hong Kong	21/10	11/6
London	21/10	11/6
Los Angeles	21/10	11/6
Madrid	21/10	11/6
Mumbai	21/10	11/6
New Delhi	21/10	11/6
Paris	21/10	11/6
Rangoon	21/10	11/6
San Francisco	21/10	11/6
Singapore	21/10	11/6
Taipei	21/10	11/6
Tokyo	21/10	11/6
Yokohama	21/10	11/6

Amman	21/10	11/6
Antwerp	21/10	11/6
Athens	21/10	11/6
Bahia	21/10	11/6
Bangkok	21/10	11/6
Bombay	21/10	11/6
Buenos Aires	21/10	11/6
Calcutta	21/10	11/6
Cardiff	21/10	11/6
Chennai	21/10	11/6
Cairo	21/10	11/6
Cebu	21/10	11/6
Dhaka	21/10	11/6
Dubai	21/10	11/6
Edinburgh	21/10	11/6
Geneva	21/10	11/6
Hong Kong	21/10	11/6
London	21/10	11/6
Los Angeles	21/10	11/6
Madrid	21/10	11/6
Mumbai	21/10	11/6
New Delhi	21/10	11/6
Paris	21/10	11/6
Rangoon	21/10	11/6
San Francisco	21/10	11/6
Singapore	21/10	11/6
Taipei	21/10	11/6
Tokyo	21/10	11/6
Yokohama	21/10	11/6

Amman	21/10	11/6
Antwerp	21/10	11/6
Athens	21/10	11/6
Bahia	21/10	11/6
Bangkok	21/10	11/6
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THE AMERICAS

In a Switch, Reno Now Opposes the Special Prosecutor Law

POLITICAL NOTES

WASHINGTON — Attorney General Janet Reno told Congress on Wednesday that she no longer supported the independent counsel law because she has seen her decisions on some cases "plunged into the political process."

Senator Fred Thompson, a Tennessee Republican who is chairman of the Senate Governmental Affairs Committee, retorted that the reaction to her decisions may have "to do just with your decisions."

Ms. Reno appeared before the committee to oppose extending the law governing independent counsels.

The Justice Department reversed course in recent weeks to oppose another five-year renewal of the law. Ms. Reno's top deputy testified earlier this month in opposition to an extension.

Ms. Reno said that when she became attorney general, "I didn't account for the focus and the immediate posture of any decision I made, to see it plunged into the political process."

Ms. Reno has been under fire from Republicans

in Congress, including Mr. Thompson, for not recommending an independent counsel investigation of fund-raising by the 1996 Clinton re-election campaign.

In his remarks to a House panel, Deputy Attorney General Eric Holder emphasized that the administration's new opposition was not based on "problems with individual independent counsels," such as Kenneth Starr, whose five-year investigation of President Bill Clinton led to the second presidential impeachment in history.

He said the law "comes dangerously close to tipping the traditional balance of fairness in the conduct of criminal investigations and prosecutions" by insulating independent counsels from financial accountability and traditional Justice Department rules.

The law is set to expire on June 30. It is disliked by members of both parties after independent counsel investigations of Republican and Democratic presidents and other government officials.

If Congress lets the law expire, as it did in 1992

before renewing it 18 months later, dozens of high-ranking government officials who now could be subject to an independent counsel inquiry would be investigated instead by the Justice Department.

In 1993, Ms. Reno recommended re-enacting the law. The Justice Department has administered the law since its beginning in 1978 in the wake of the Watergate scandal. It gives the attorney general a framework for recommending that an outside investigator take over inquiries into certain high-level White House and other government figures.

Ms. Reno, who has recommended the appointment of seven independent counsels during her six-year tenure, has been the frequent target of congressional critics such as Senator Orrin Hatch, a Utah Republican, who claims she has been biased toward the White House.

Why Reno Has Changed Her Mind

David Johnston and Don Van Natta Jr. of The New York Times reported earlier from Washington: During her six years as attorney general, Ms.

Reno's position on the 21-year old Watergate-era reform law has hardened as she tried to carry out the statute, and she has come to view it as rigid, unwieldy and unfair, law enforcement officials said. In a more personal sense, Ms. Reno's shift on the law illuminates a rise of passage for the Miami prosecutor who was tossed with little preparation into the brutal combat over politics and law in the nation's capital.

Aides to Ms. Reno said she often watched in frustration and anger at what she viewed as serious prosecutorial abuses committed during inquiries led by several independent counsels, including Mr. Starr, and concluded that some of these investigations had spun out of control.

At first, some of Ms. Reno's aides hoped the law might work as it was designed to keep the Justice Department out of political controversies. Instead, the aides said the law has had the opposite effect, repeatedly plunging Ms. Reno into raw partisan battles that left her deeply scarred and undercut her image of integrity.

Medicare Panel Quits

WASHINGTON — A federal advisory commission searching for ways to preserve Medicare disbanded in disagreement just three hours after President Bill Clinton denounced its work and said he would devise a proposal of his own as an alternative.

The commission ended its work Tuesday without endorsing any recommendations to avert a financial crisis in the program, which provides health insurance for 39 million Americans who are elderly or disabled.

The 17-member commission, headed by Senator John Breaux, Democrat of Louisiana, fell one vote short of the 11 votes needed to approve a final report. Ten commission members — eight Republicans and two Democrats — voted for radical changes that would convert Medicare into an arena for competition among public and private health plans.

Mr. Clinton said the proposal, drafted by Mr. Breaux and Representative Bill Thomas of California, had failed to "provide for an adequate, affordable prescription-drug benefit" for the elderly and disabled. (NYT)

Republicans' Budget

WASHINGTON — Republicans have laid out a budget proposal that makes good on their promises to cut taxes and increase spending on the military and education by making deep cuts on other programs.

Their plan is the Republican response to the budget proposal sent to Congress last month by President Bill Clinton, and like the White House plan it makes shorting up Social Security America's top fiscal priority in a period of emerging budget surplus.

Senator Pete Domenici, the New Mexico Republican who is chairman of the Senate Budget Committee, said the plan would provide a tax cut next year of \$15 billion, possibly more if the strong U.S. economy continued to generate higher-than-expected tax revenue.

The tax cuts would grow to \$778 billion over the next decade. That is enough for the tax-writing committees in the House and Senate to choose among a variety of tax-cutting options, but probably not enough, Mr. Domenici acknowledged, for the 10 percent across-the-board reduction in income tax rates that Republicans had hoped to make the centerpiece of their agenda.

Mr. Domenici said his plan would set aside \$133 billion over the next decade to cope with a variety of contingencies, including the possibility that an overhaul of Medicare would require an infusion of money.

The proposal would increase Pentagon spending by \$18.2 billion, to \$290 billion, reflecting an insistence among Republicans on rebuilding what they see as a dangerously run-down military.

And, in an attempt to neutralize a traditionally Democratic issue, the plan calls for a \$3.3 billion increase in federal spending on education next year, to a total of \$103 billion. (NYT)

Quote/Unquote

Amtrak's chairman, Governor Tommy Thompson of Wisconsin, on the crash of a passenger train and truck south of Chicago on Tuesday with heavy loss of life and many injuries: "The engineer said he saw the lights flashing, he saw the barriers down, and then he saw the truck stop and try to get around it. There was no way to avoid it." (AP)

Republicans Lead Poll on Foreign Policy

By Richard Morin and David S. Broder
Washington Post Service

WASHINGTON — Democrats continue to hold the advantage with the American public on most domestic issues, but Republicans have reclaimed the lead on foreign policy as crises from Kosovo to China have become the center of political debate, according to a Washington Post-ABC News poll.

Republican leaders think they may have found an election issue for 2000 and have been attacking President Bill Clinton's plans to send U.S. troops into Kosovo and alleged laxity in safeguarding nuclear secrets from China.

The most striking shift in party ratings in the poll was on the handling of foreign affairs. Last autumn, Democrats led 49 percent to 42 percent; now Republicans are preferred, 46 percent to 38 percent.

But when it comes to the party Americans trust most to deal with "the main problems the nation faces over the next few years," the poll found that Democrats hold a 47 percent to 37 percent advantage over Republicans.

At the same time, though, the Democratic margin on several issues has shrunk. On the economy, the No. 1 concern of voters, Republicans have narrowed the Democratic lead from 13 percentage points in September to 5 points in the poll.

More Americans also say they want Mr. Clinton, not congressional Republicans, to set the national agenda. Nearly half — 47 percent — of the poll's respondents said they would prefer to see the country go in the direction Mr. Clinton wants to lead it while 29 percent would prefer to follow the Republicans' path. Independents preferred the president's direction by nearly 2 to 1.

The poll offered hints that Mr. Clinton's seemingly unshakable hold on the American people may be weakening. His job approval rating was 64 percent, down from 68 percent in February.

The proportion of Americans who said they "strongly approved" of his job performance fell from 46 percent to 38 percent in the past month. Still, Mr. Clinton is far more popular than congressional Republicans. Most of the poll respondents — 56 percent — said they disapproved of the Republicans' job performance while 51 percent said they approved of congressional Democrats.

For the poll, 1,515 randomly selected adults were interviewed. The margin of sampling error was plus or minus 3 percentage points.

Overall, Republicans have failed to make progress on many of their party's issues, like crime and taxes, a situation that could help Democrats in the 2000 elections. Republicans also continue to lag far behind Democrats on such issues as health care, Social Security and help for the middle class.

Moreover, despite the shift toward the Republican Party on foreign affairs, political pollsters question its significance, noting that foreign policy rates very low among voters' concerns.

Just last week, the House of Representatives came within a few votes of rejecting Mr. Clinton's plan to send American troops into Kosovo as part of a NATO peacekeeping force. Republicans in Congress have also attacked the Clinton administration over the disclosure of possible Chinese infiltration at Los Alamos nuclear weapons laboratory.

The poll found that 6 in 10 rated the handling of foreign affairs as a "very important" voting issue — well behind the economy, Social Security, crime and education, among others.

Other poll results suggest problems for the Republicans, some of whom were seen as displaying excessive moral zeal during the impeachment trial. Nearly half of the respondents (47 percent) said the Democrats better represented their own personal values, compared with 39 percent who said Republicans did.



ROCK 'N' ROLL TALK — Mary Wilson of the former rock group The Supremes joins Representatives Dennis Kucinich, Democrat of Ohio, right, and Charles Norwood, Republican of Georgia, to push for legislation to protect performers' names from use in "copycat" shows.

Away From Politics

- Addressing the defendant as an "angry, sinister, controlling and malignant force," a Delaware state judge ordered that Thomas Capano, 49, a once prominent and wealthy lawyer, be executed for the murder of a former mistress, Anne Marie Fahey. (NYT)
- The guitar of the mass killer Charles Manson was smashed in an attack by other inmates who slipped into an area reserved for California's most notorious prisoners. Such an attack "is a big badge of honor" among other convicts, a prison spokesman said. (AP)
- A man convicted of two murders and suspected of being part of a gang who used their victims' body parts in ghastly rituals, Andrew Kokoraleis, 35, was executed by lethal injection in Illinois. (Reuters)
- A judge again ordered reporters for The Atlanta Journal-Constitution to name sources for articles about Richard Jewell, a suspect in the Centennial Olympic Park bombing in 1996 before he was cleared by the Justice Department. The reporters could be jailed if they refused to name the sources. (AP)
- A 6-year-old boy who climbed a zoo embankment to get a better look at the big cats was bitten in the head by a leopard as he leaned against a fence in Colorado Springs, Colorado. Two off-duty state workers kicked the 72-pound leopard away from Phillip Rupert and pulled him to safety. (AP)

DEFENSE: Senate Overwhelmingly Revives Plan for National Anti-Missile Deployment

Continued from Page 1

Treaty with Russia, he said, "would be the end of Strategic Arms Reduction Talks."

The START-2 treaty, which would roughly halve both sides' nuclear weapons stocks, was ratified by the Senate in 1996 and was approaching ratification by the Russian State Duma when it was attacked on Iraq in December. A bill Tuesday that would make their approval of START-2 dependent on a U.S. commitment to the ABM treaty.

China has also bridled at suggestions that the United States might extend an anti-missile defense program to friends in Asia, including possibly Taiwan, Japan and South Korea.

The threat of attack on U.S. territory by "rogue nations" like North Korea and Iran, whose ability to develop ballistic missile technology was unforeseen when the ABM treaty was conceived, has become a cornerstone of arguments for a national missile defense.

Mr. Dornbush said, however, that the much greater danger, and one against

which an anti-missile defense would be irrelevant, was of terrorist attacks. "far more likely to be delivered by truck than by missile."

Backers of the plan, including many Republicans and some Democrats, insisted that the threat to U.S. territory from rogue states was real, making the ABM treaty a thing of the past and justifying its renegotiation or abrogation.

Deployment of a missile defense system, said Senator John McCain, Republican of Arizona, one of his party's senior "national security spokesmen, could be viewed by some nations 'as a potentially hostile act.'

But he said "the unpredictability of potential threats" made a defense system crucially important.

Senator John Warner of Virginia, a Republican who is chairman of the Armed Services Committee, said that only by passing the bill could Russia be induced seriously to enter talks on modifying the ABM Treaty, adding, "I do not say abolish it, I say carefully modify it."

Face-Saving Amendments

John M. Broder of The New York Times reported:

The White House's sudden reversal on a national missile defense, the latest version of the much-debated "Star Wars" program of the Reagan era, came after Democrats drafted two face-saving amendments that allowed the White House to assert that the bill would not jeopardize arms control deals with Russia or commit the United States to building an untested system.

White House officials were too modest to claim victory. The chief sentiment was relief at having at least partially defused what could have become a potent political issue next year.

"We got the best deal we could," a senior White House aide said.

But even with the president's late change of heart on missile defenses, Republicans were likely to seize on the issue as a fundamental philosophical difference with Democrats.

Polls show that the public finds Democrats more credible on domestic social issues such as education, Social Security and health care. Republicans, however, retain their lead on foreign policy and defense, and Republican leaders in Congress have explicitly said that they intend to highlight differences

with Democrats on national security over the next two years.

Administration officials said that Mr. Clinton was swayed by more than public opinion, which has always looked favorably on some form of missile defense. Mr. Clinton and Democrats in Congress began to temper their opposition to developing at least a limited missile defense system after North Korea last July tested a five-stage ballistic missile with enough range to hit U.S. troops in Asia and potentially to reach North America.

A bipartisan commission chaired by Donald Rumsfeld, a Republican former secretary of defense, warned that North Korea and other rogue states could potentially hit targets in America with ballistic missiles by 2005.

The administration responded by beefing up spending for missile defense research.

"They felt they needed to shift position and give ground to avoid being swamped by political critics on the right, as well as by more centrist people in their own party and nonpartisan experts," said Robert Zoellick, president of the Center for Strategic and International Studies.

Order Was Ignored On Atom Security

By Jeff Gerth
New York Times Service

WASHINGTON — In late 1996, months earlier than previously acknowledged, a senior Energy Department official ordered that security measures at the nation's nuclear weapons laboratories be quickly strengthened, but his orders were largely ignored or delayed, Clinton administration officials said this week.

Until now, senior administration officials had said that they first learned of the security lapses at the labs in the summer of 1997 and took prompt action. But eight months earlier, in November 1996, Charles Curtis, the deputy secretary of energy, ordered a series of security measures to be carried out on a strict timetable over the next several months, the officials said.

But those measures were not taken, the officials said, despite the warning in the Energy Department's 1996 annual security review that the department was "at greater risk of becoming a victim of espionage than at any time in its history."

Officials said Tuesday that this inaction was largely owing to a change in leadership at the Energy Department. Federico Pena became secretary of energy in March 1997, and Mr. Curtis left office one month later.

The timing of the administration's response to security concerns at Los Alamos National Laboratory, in New Mexico, and other nuclear weapons centers has become a political issue following reports that the White House, the Federal Bureau of Investigation and the Central Intelligence Agency did not respond quickly to allegations that China had stolen an important piece of nuclear technology from Los Alamos in the 1980s.

AMERICAN TOPICS

Tattoos Guide Campus Nurses

It is a blustery day at Rutgers University, in New Jersey, and Walter Hewitt, a nurse at the health center, is treating his 10th cold of the day.

"Open your mouth," he says to a student... and out pops a silver tongue ring. Down the hall, when a nurse practitioner, Judith Greif, asks another student to lift his shirt for an examination, she notices his nipples are pierced.

Such sights once caused workers at college health centers to gasp — or to ask, "Why are you doing that to yourself?" — but now they are accustomed to the tattoos, piercing, branding and even "sewing" of the skin that have become common on campuses, The Chronicle of Higher Education reports.

Health care workers do have cause for concern: Piercing by inexperienced practitioners can cause infection — or even paralysis if a nerve ending is pierced — and tongue piercings can lead to chipped teeth.

But health workers have found that body decorations often lead to a better understanding of patients. One doctor, treating a student for a cold, noticed a new tattoo protesting violence against women. He asked about it, and she eventually said she had been date-raped. He was able to persuade her to seek counseling.

Mr. Hewitt and Ms. Greif, who surveyed body decorations among students at 18 American universities, were surprised to learn that students generally had thought hard before getting tattoos, a far cry from the age-old image of the tattoo as a sailor's drunken whim. More than half the tat-

toed students, incidentally, had grade-point averages of 3.0 or higher on the four-point system.

Short Takes

A proposal by Anthony Williams, the Washington mayor, to move the University of the District of Columbia from its campus in mostly affluent northwest Washington to Anacostia, the poorest section of the city, has encountered severe opposition.

Mr. Williams, who has been at the center of a series of controversies, said the move would promote economic development both at the current site, which he would hope to sell to private developers, and at the new site, according to The New York Times.

Many students have objected. "Everybody is upset," said Lawanda Johnson, a senior. "People are fighting to get away from places like Anacostia. Where we go now is a way out."

The aggressive flying insects known as "killer bees" have moved farther north into California, spreading through the San Fernando Valley. Agricultural officials in Los Angeles County say the Africanized honeybees have colonized 40 percent of the region, the Los Angeles Times reports. At least five people in the southern United States have been killed by the insects, which are prone to swarming.

Hot is hot — and getting hotter. From the popularity of Szechuan food to Cajun to Tex-Mex to Thai, Americans have embraced one hot-and-spicy specialty after another. Annual sales of the hottest spices have risen to 3.4 million pounds (1.5 million kilograms) from 2 million pounds in the late 1970s.

Brian Knowlton

General in Sex Case Enters Guilty Plea

The Associated Press

FORT LEWIS, Washington — A retired general pleaded guilty Wednesday to eight charges involving sexual improprieties with the wives of subordinates, becoming the highest-ranking army officer to be court-martialed since 1952.

Major General David Hale, who was allowed to retire honorarily in February 1998 after the allegations became public, entered his plea in exchange for the promise of a reduced sentence.

His case had prompted complaints from some legislators that his retirement represented a double standard when people of lower rank were court-martialed for alleged sexual misconduct. Defense Secretary William Cohen subsequently tightened retirement rules for top officers to bar them from retiring until any charges against them are resolved.

General Hale, 53, entered pleas to seven counts of conduct unbecoming an officer, including having four improper relationships with the wives of subordinates, and one count of making false official statements.

The maximum possible sentence was 11 years in prison, loss of his \$75,000-a-year pension and dismissal from the service.

In exchange for General Hale's plea, the army dropped nine charges. He had faced a possible 56 years in prison if convicted of the original 17 counts, which included allegations that he lied to subordinates and superiors.

Under questioning Wednesday, General Hale confirmed that he would target vulnerable women in troubled marriages, seeing them socially in scuba-diving clubs, bowling clubs and on shopping trips, giving them money for phone calls and sending them flowers.

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ASIA/PACIFIC

Letter From Japan: Asia's Emerald Isle Loves a Parade, Too

By Mary Jordan
Washington Post Service

TOKYO — It was a little slice of Dublin: creamy pints of Guinness and big piles of bacon, eggs and brown bread for breakfast, and musicians playing bouncy traditional Irish tunes in the corner.

It's just that there aren't many musicians in Dublin named Moriarty.

But that's St. Patrick's Day in Tokyo: a curious blend of a few hundred Irish expatriates and a surprisingly large crowd of Japanese who appreciate things Irish — like Isao and Masako Moriarty, who spend five months a year playing and studying traditional music in Ireland, where they are known as Paddy and Bridget.

At Bewley's Cafe in Tokyo, the couple looked the part: a cable-knit sweater for him, a long peasant skirt for her. And they sounded it, too, ranging from melancholy songs to stomping tunes on their flute and tin whistle, their accordion and concertina, harp and the Irish drum known as a bodhran.

People here, Isao Moriarty says, are attracted by the image of Ireland as a rural, unspoiled land with ancient traditions — as many Japanese still view Japan, despite its booming development in the last 50 years. "I can't really understand American English," he said, apologizing to an

American interviewer. "I only know County Clare farmer English."

Of course, even though the Tokyo Bewley's pub looks like the original Bewley's in Dublin, with its dark hardwood interior and a menu that includes beef stew and shepherd's pie, there are reminders of Tokyo, particularly the price of a pint: \$8.50.

The St. Patrick's Day parade ended near the door of Bewley's, where plaques commemorating Irish writers Yeats and Joyce line the steps. And this year those plaques were as close as many got to the Bewley's buffet, because of the thousands who turned out to watch the parade of marching bands, Irish wolfhounds, Japanese wearing silly green wigs and jiggling, and all manner of banners — including one that said, in Japanese, "We're all Irish anyway." ("I hope it says that," said one young Irishman helping to carry it.)

The Irish are the only ethnic group to take their celebration to the streets in Tokyo. In fact, just about the only other marchers in town are leftist union protesters or ultranationalist rightists who are still upset that Japan lost World War II.

The U.S. ambassador, Thomas Foley, said

people in America were a bit surprised when he told them he had to rush back to Tokyo for a St. Patrick's Day parade. Mr. Foley, the former speaker of the House of Representatives, clearly enjoyed wearing the green in the land of the rising sun, though his Japanese bodyguard did not have the same relaxed look amid the crowd of revelers.

The Japanese connection to Ireland is mainly through its music. Enya, U2, Mary Black and other Irish groups and singers are popular here. Tourism traffic from Tokyo to Dublin has doubled in recent years, said Irish Ambassador Declan O'Donovan.

Mr. Moriarty, who teaches traditional Japanese music to college students, said it had been easy for him to interest people in Irish music because it has many of the same stylistic roots as Japanese folk music. He has taken scores of students to Ireland in the last few years, and his students made up most of the impromptu band in Bewley's on Sunday.

Tokyo is perhaps the mecca of Irishness in Asia, with not only the Irish from Ireland, but the Irish from Australia, New Zealand, America and elsewhere. Irish priests have been here for decades, hearing confessions in Japanese in the few

Catholic parishes in a land where only 1 percent of people are Christian. The newer Irish are largely young, well-educated engineers and chemists.

Eight years ago, about 50 Irish folks marked St. Patrick's Day by marching down the sidewalk in Roppongi, Tokyo's version of Times Square (before the face-lift). Out of that sidewalk stroll this Asian Irish parade was born. Now in the Omotesando high-fashion district, the celebration has grown each year. Police estimated that 5,000 marched and watched this year's parade on Sunday.

The Japanese parade watchers wore few of the garish green getups usually spotted in New York or Boston.

There were no Kiss-Me-I'm-Irish-in-my-shamrock-boxer-shorts, for instance. But, as the baton twirlers and trumpet players marched by, people wore the same kind of smiles. The "St. Patrick's Day in Tokyo" T-shirts sold out early.

Tim Pat Coogan, an Irish historian who recently traveled from Jamaica to Tanzania to Japan for a book on the Irish diaspora, said he found people on just about every continent marching in ever bigger crowds to celebrate St. Patrick's Day.

Part of the urge Irish have to celebrate, to tell others "come, join us," is the "sheer affection for one's childhood, history, roots," he said. "There is something deep in it," he said. "It's not just about green beer and shamrocks."

There are reminders of Tokyo, though, including the price of a pint: \$8.50.



TIBETAN NEW YEAR — Buddhist monks in ceremonial costume waiting to perform Wednesday at the Lama Temple in Beijing to mark the new year. The gathering is the largest one of Tibetan and Mongolian monks outside Tibet.

Indian Scenario That's Worthy Of Bollywood

By Barry Bearak
New York Times Service

NEW DELHI — Jayalalitha Jayaram, a former movie star who is one of India's most powerful and dependably outlandish figures, is facing charges that she thrashed her former accountant with high-heeled shoes, beating him black and blue during an hourlong ordeal and leaving him bedridden with a bandaged right eye.

Miss Jayaram denies that any such attack took place. "I am too cultured to indulge in such an uncivilized act," she said.

She sent flowers to the hospitalized actor, R. Rajasekaran, who refused the bouquet. Police officials say they are investigating the incident, said to have occurred in her elegant residence in Madras on Saturday.

True or not, Mr. Rajasekaran's bizarre story was front-page news this week in India — a grand entertainment for some and an acute embarrassment for others.

Miss Jayaram heads the All-India Anna Dravida Munnetra Kazhagam, the political party that is the largest coalition partner of the Hindu nationalists who lead the government.

Leaders in the government have frequently had to mollify Miss Jayaram during her many threats to abandon the coalition. They, in turn, have come under severe criticism for what some here view as improper efforts to help her escape from numerous criminal charges.

Last month, the government transferred various corruption cases against the former actress away from the special state courts that had been handling them.

The charges stem from the early 1990s, when Miss Jayaram was chief minister of the state of Tamil Nadu. During that time she reportedly accumulated a fortune through kickback schemes.

Mr. Rajasekaran had been Miss Jayaram's accountant for 10 years when they had a falling-out in 1997, he explained. He said he was summoned to her residence Saturday, where the former chief minister met him along with her companion, Sasikala Natarajan, and Miss Natarajan's nephew, M. Mahadevan.

"When Sasikala came into the room, she bolted the door from inside and took two shoes with high heels from a plastic bag," he said.

The women hammered at him with the shoes while Mr. Mahadevan, he said, used a stick. "Unable to bear the pain, I cried for mercy," he said.

Mr. Rajasekaran was then made to write and sign statements that admitted his responsibility for lapses in the two women's tax returns, he said.

BRIEFLY

Encephalitis Strikes Malaysia

KUALA LUMPUR — Malaysian authorities on Wednesday reported three more deaths from a worsening outbreak of encephalitis that has created a health scare in parts of the country and ravaged the pork industry.

The virus is believed to have killed at least 47 people since October, including about two dozen in the last two weeks, health officials said.

The virus is transmitted from infected pigs to humans by the culex mosquito.

Although it cannot be transmitted through pork, demand for pork in Malaysia and Singapore has plunged, threatening the livelihood of pig breeders. (Reuters)

Burma Stymies Its Opponent

BANGKOK — The British husband of the Burmese opposition leader Daw Aung San Suu Kyi is gravely ill with cancer in Britain and is seeking a visa from Rangoon's military government to visit his wife, sources close to the family said Wednesday.

The sources, who did not want to be identified by name, said Michael Aris was suffering from prostate cancer that had spread to his spine and lungs and was not expected to live long.

The Rangoon government, which is eager to see Daw Aung San Suu Kyi leave the country, has refused to issue a visa to her husband for the last three years and has indicated that she should be the one to travel.

But the family sources said it was unlikely that Daw Aung San Suu Kyi would leave Burma as she did not believe she would be allowed to return. (Reuters)

Herald Tribune

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Eritrea Claims a Victory in Border Battle

By Ian Fisher
New York Times Service

NAIROBI — Eritrea said Wednesday it had repulsed Ethiopian troops after a three-day battle raged day and night along their disputed border, in fighting that cost the lives of at least several hundred soldiers.

Eritrea seemed so confident of victory that the army escorted foreign journalists to the front Tuesday for the first time in nearly a month. Reuters reported that at least 300 Ethiopian soldiers lay dead along a small stretch of the central front, with bodies heaped in piles.

But Ethiopia called it a "drama staged for foreign journalists," accusing Eritrea of planting burnt-out tanks and its own dead in the battlefield to improve its image after suffering a major defeat to the West last month.

"How do those reporting know that the destroyed tanks that are presented belong to Ethiopia, or that the smell of rotting corpses indeed comes from dead Ethiopian soldiers?" an Ethiopian spokesman said.

Foreign diplomats in both nations said they

generally believed Eritrea's version of the battles, which began early Sunday morning and ended Tuesday.

One Western diplomat in the Ethiopian capital, Addis Ababa, said he believed Ethiopia had tried to repeat the success it had late February, when it expelled Eritrean forces from the Badme region, the central area in dispute. This time, he said, Ethiopian troops did not appear to make it through Eritrean lines.

"Ethiopia did get a bloody nose," the diplomat said. But he and other observers speculated that the attack may have been partly a probe for weaknesses and that fighting will reignite soon.

Eritrea, however, said it had "completely foiled" a "major offensive," destroying 37 tanks, capturing another 6 and shooting down Monday an Ethiopian MiG-23 fighter plane.

Yemane Ghebremeskel, an Eritrean spokesman, ridiculed Ethiopia's suggestion that it had planted the bodies. "There is ample evidence," he said. "They have suffered a big defeat and they want to downplay it."

While refusing to disclose Eritrean casu-

alties, he said well over 9,000 Ethiopians had died in the fighting, Ethiopia denied the claim.

The war between Ethiopia and Eritrea, although a local dispute in the remote highlands on the Horn of Africa, nonetheless has been a major concern to outside nations, in part because of the question of casualties.

No independent authorities have been allowed to the front, but estimates from diplomats and military analysts run from 10,000 dead to double or more, given how well each side is armed.

The dispute between the two nations dates back to 1993, when Eritrea separated amicably from Ethiopia but the 960-kilometer (600-mile) border between them was never settled. Fighting first broke out in May 1998, when Eritrea claimed the Badme region as its own and sent in its troops.

After an eight-month lull, fighting broke out again last month, and Ethiopia pushed Eritrean soldiers out of Badme. But fighting continues because Ethiopia claims that Eritrean troops still occupy three other areas it says belong to Ethiopia.

Ecuadorans' Worry Rises as Economy Falters

By Anthony Faiola
Washington Post Service

QUITO, Ecuador — "The sky is not falling in Ecuador," said Carlos Lopez, 64, as he stood among hundreds of panicked bank customers talking about Ecuador's most serious economic crisis in 50 years. "It has already fallen."

Mr. Lopez, a retired civil engineer in Ecuador's misty mountain capital, had just been told by his bank that an emergency government decree had frozen his account — his life's savings — for a year.

He had heard rumors of the government's intentions, but with confirmation from the bank teller, his hands shook and his lower lip began to quake.

What about his house payment? His granddaughter's birthday party next week? He paused a moment to let it sink in, then softly asked the teller: "Miss, how am I supposed to buy food?"

The freeze on bank accounts is among the most visible symptoms of an economic implosion that has pushed this poverty-stricken South American nation to the brink of chaos. The crisis has been fueled by low prices for oil exports, damage from El Niño storms and fallout from continuing financial turmoil in Brazil, among other factors.

Here in the capital, traffic was paralyzed Tuesday for the fifth day in a row as taxi drivers, protesting an emergency measure to raise cash by raising the price of gas, blocked roads with cars and burning tires. Bus drivers joined in, adding to a list of other striking workers, including those from the oil and electricity workers' unions.

The turmoil in Ecuador underscores a deeper problem facing many Latin American nations

as they seek to wean their economies from heavy reliance on the state and make the transition to free-market capitalism.

Although some Latin American nations, such as Chile and Argentina, have essentially completed such transitions, Ecuador — along with Venezuela and Paraguay, among others — has been unable to make serious progress on reforms because of political opposition and rampant corruption.

Late Tuesday, former President Fabian Alarcon was arrested on charges of padding the state payroll with more than 1,000 phantom employees while leader of the legislature from August 1995 to February 1997, Reuters reported. Mr. Alarcon, who served subsequently as interim president until last August, called the charges politically motivated.

Like other Latin American countries, Ecuador has been stung by the collapse of the currency in Brazil, the world's eighth-largest economy, which has caused many investors to lose confidence in the region.

"It's not the economic model at fault, but the inability of the government to carry out whatever model they choose," a senior Western diplomat said. "If you have a political class in bed with the cynical, corrupt business class, no model is ever going to work."

Crisis is not new to Ecuador — a nation of 12 million people that in 1997 had three presidents in less than a week. But many say they have never seen anything like the current turmoil.

Gas prices have been raised 170 percent. Inflation is the highest in Latin America. Strikes are paralyzing cities. Several major banks are on the verge of collapse. Government reserves have fallen so low that economists say Ecuador will no longer be able to support its currency. Meanwhile, opposition from both ends of the

political spectrum is mounting against a plan by President Jamil Mahuad to carry out austerity measures.

The situation is so bad that Mr. Mahuad has declared a state of emergency, and some in his inner circle have recommended dissolving the legislature and putting his austerity plan into effect by decree, according to Western diplomatic sources.

On Tuesday, troops wearing gray fatigues and carrying automatic weapons stood watch over Quito. This week, the army has used tear gas and riot gear to disperse angry strikers, but their efforts do not seem to be working.

Schools were closed across the nation because teachers, who have not been paid in three months, were also taking to the streets. In some coastal towns, the situation has boiled over and frantic residents have resorted to looting.

"It's not even that I can't buy my children clothes or books for school," said Fernando Vellalba, 49, a taxi driver who was setting a tire on fire to block a road in northern Quito. "But now, gas is so expensive that I lose money working. How am I supposed to feed my three children? We're going to starve!"

The economic mess has a number of causes. Ecuador has suffered more than \$2.8 billion worth of damage from floods spawned by storms related to the El Niño current in the Pacific Ocean, which ravaged crops and caused huge loan defaults. Moreover, it lost \$600 million in foreign revenue from the drop in the price of oil, one of its leading exports.

While Mr. Mahuad has been criticized for taking too long to formulate an economic stabilization plan, economists say the austerity measures the Harvard-educated lawyer and former Quito mayor proposed last Friday could ease the crisis.

BRIEFLY

Israeli Water Plan Angers Jordanians

AMMAN — Jordan's Parliament lashed out at Israel on Wednesday for its decision to reduce the quantity of water it agrees to supply under a 1994 peace treaty.

"Jordan's water belongs to it by right; it is not a donation or a gift of kindness for Israel to grant or withhold as it pleases," said a statement from the lower house of Parliament published by the official news agency, Petra.

The 80-member chamber charged that Israel's refusal to supply Jordan with the water it needs represents a "violation — indeed an evasion — of all its peace accords" and "casts doubts on the sincerity of Israel's intentions."

Prime Minister Benjamin Netanyahu of Israel said a regional drought was responsible for the decision to cut the water supply. (AFP)

Move to Condemn Air Raids Blocked

CAIRO — Kuwait and Saudi Arabia blocked the Arab League from debating Wednesday a proposal to condemn U.S. and British enforced no-flight zones over Iraq, a senior league official said.

But Iraq insisted it had the right to raise the issue during the Arab League foreign ministers meeting that opened in Cairo on Wednesday, said the official, who requested anonymity. Arab countries have become increasingly uncomfortable with almost daily bombing and missile strikes carried out by U.S. and British warplanes patrolling the no-flight zones from bases in Kuwait and Saudi Arabia. (AFP)

Election Council Named in Haiti

PORT-AU-PRINCE, Haiti — President Rene Preval has appointed a new council to organize legislative elections, a widely anticipated move to resolve a political crisis that has paralyzed the government for nearly two years.

Haiti has not had a properly functioning government since Prime Minister Rosny Smarth resigned in June 1997, charging that partial legislative elections held two months earlier were rigged. (AP)

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THE WORLD'S DAILY NEWSPAPER

EUROPE

Prodi the Front-Runner For Top European Post

By Barry James
International Herald Tribune

BRUSSELS — Former Prime Minister Romano Prodi of Italy emerged late Wednesday as the front-runner for the post of president of the European Commission, following the resignation of all 20 members of the European executive in the face of a scathing anti-corruption report.

But sources close to Mr. Prodi said he would accept the job only if it were offered to him for the full five years of the next presidency. He would not agree to becoming an interim president.

Chancellor Gerhard Schröder of Germany said that he was looking for someone to serve the full five-year term. Mr. Schröder, who was touring European capitals seeking a way out of the crisis caused by the commission's resignation, said Mr. Prodi would make an "excellent" commission leader. He was dining with Prime Minister Massimo D'Alema, who was expected to endorse Mr. Prodi's candidacy.

Among other politicians who could serve as permanent commission chiefs, Prime Minister Antonio Guterres of Portugal said he had domestic commitments, and a spokesman at the North Atlantic Treaty Organization said its secretary general, Javier Solana Madariaga, was too busy with Kosovo and other problems to have even given thought to the EU presidency.

Mr. D'Alema said, "We need a quick solution." And Mr. Schröder categorically ruled out the possibility of Jacques Santer, the president of the present interim commission, holding onto his post.

Mr. Santer was scheduled to appear before the European Parliament on Monday, and could announce then that he was stepping aside.

Across the political spectrum, members of the Parliament said it was inconceivable that Mr. Santer and Edith Cresson, the commissioner in charge of research and education, could continue in their posts. Mr. Santer has to take the rap for political and management failures at the commission, while Mrs. Cresson was blamed for overlooking wide-scale fraud in a program she managed, and for nepotism.

Although they have resigned, the commissioners remained at their posts on a temporary basis. They urged that replacements be found "without delay."

"We have resigned and have no desire for intention of remaining in office a moment longer than we have to," the commissioners said in a joint statement.

They said that, pending the selection of a new commission, they would deal only with current and urgent business.

since this is required by the EU treaty. But they said that they would not take any new initiatives.

As Europe's leaders sought a consensus on a new executive for the European Union, the German government raised the possibility Wednesday of holding an emergency EU summit meeting that could name either a permanent or an interim candidate.

Germany will be host to a summit meeting in Berlin next week, hoping for an agreement on reforming the Union's finances and opening the way to membership by countries in Eastern and Western Europe. While the question of a new commission president to replace Jacques Santer may come up at the Berlin meeting, the agenda is too full to allow a full discussion of who may replace him.

But a spokesman said another summit meeting could be held shortly after the Berlin conference specifically to deal with the succession problem.

EU officials and members of the European Parliament said that Sir Leon Brittan, senior vice president of the outgoing commission, might be named on an interim basis to replace Mr. Santer, pending a permanent solution. Another possible interim commission chief was Karel Van Miert, the EU commissioner in charge of competition.

The mass resignation, which left a power vacuum at the heart of the EU, swept the union into uncharted waters.

An interim solution seems the most likely for three key reasons: First, the Amsterdam Treaty coming into effect this year, following ratification by member states, gives the European Parliament a much stronger role in the selection of commissioners, which until now has been the prerogative of governments.

The treaty also gives the president-elect a say in choosing his or her own team. The Parliament will be re-elected in June. Therefore, deputies say there will have to be a confirmation hearing of an interim commission now, and under the Amsterdam rules, new hearings will have to be held once the new Parliament is elected, even if a permanent candidate is selected now.

Secondly, governments are tied up with an enormously complex agenda to reform EU finances and prepare the way for enlarging the Union. They have not had time to think about the commission presidency. Third, it is not just a question of appointing one person, Mr. Solana, for example, is seen as a candidate because of his international foreign and security experience. But his appointment would mean finding someone to fill the NATO spot, which would create another important vacancy.



PRESENT, SHAMROCKS! — Prince Edward with members of the Irish Guards at a British Army base in Muenster, Germany, on Wednesday, all sporting shamrocks in honor of St. Patrick's Day.

Schröder Promotes Berlin Agenda

By John Schmid
International Herald Tribune

FRANKFURT — As he whistled through European capitals Wednesday as the leader of an embattled European Union, Chancellor Gerhard Schröder of Germany sought out only to calm Europe's immediate leadership crisis but also to shape the outcome of a pivotal summit meeting in Berlin next week.

In Vienna, Mr. Schröder said agreement on a sweeping overhaul of EU farm and regional aid spending at the summit meeting had become more urgent following the resignation of the 20-member European Commission this week.

"We must make it clear that in this difficult situation, the EU remains capable of acting," the Mr. Schröder said during a visit with Chancellor Viktor Klima of Austria.

Mr. Schröder is seeking to lay the groundwork for an accord in Berlin on a reform of the EU's \$5 billion euro (\$93.4 billion) annual budget.

According to political experts, Mr. Schröder, who will host the summit under the rotating six-month EU presidency, now can warn EU leaders that failure to agree in Berlin would drop a "second crisis" into their laps.

Without a budget deal in Berlin, it will be more difficult to extend EU programs and the common market to compar-

atively poorer nations in Central and Eastern Europe, the German delegation has long maintained. And results are needed to restore credibility to the EU, Mr. Schröder is expected to argue, a Bonn source said.

Horse-trading over top EU jobs oozed could sidetrack the main agenda, some analysts warned. All 20 EU commissioners resigned Tuesday after an independent panel of investigators released a damning report on corruption and mismanagement in the EU executive body.

Even in the best of times, the EU budget program for Berlin, known as Agenda 2000, was widely considered a major political undertaking. The German approach demands politically painful sacrifices from France on its farm budget, threatens diminished economic aid to Spain, and pressures Britain to reduce an annual budget rebate it won 15 years ago.

Mr. Schröder cannot repeat EU negotiation tactics employed by former Chancellor Helmut Kohl, who used the promise of increased German EU spending as a way to wrest compromises from EU partners. He already has pledged that he will get a reduction in Germany's annual EU net payments, by far the highest in the Union.

The commission crisis gives Mr. Schröder the sense of urgency he has long sought to break the logjam of na-

tional interests that threaten to block the Agenda 2000 package, Bonn sources said.

For weeks, he has warned that failure for the EU to agree at such a historic juncture would put the new common currency under brutal sell-off pressure in financial markets. That tactic, however, only added to the criticism of Mr. Schröder's handling of the EU presidency.

Bonn took over the six-month post on Jan. 1, the date the euro was introduced. Since then, the euro's exchange rate has fallen steadily and Bonn reaped some of the blame.

Analysts said the euro had suffered from political mismanagement, partly because German officials have demanded interest-rate cuts at the European Central Bank.

But the German presidency also has been overshadowed by strains in the French-German alliance. Complaints by the French of German diplomatic ineptitude came out at an informal EU summit meeting last month in Bonn.

In another threat to summit harmony, France on Wednesday announced that it would reopen talks on a package of farm-subsidy reforms that other EU partners considered closed. "France did not agree to the package and voiced many reservations," the French agriculture minister, Jean Glavany, told the National Assembly in Paris.

BRIEFLY

Pinochet Will Learn His Fate Next Week

LONDON — General Augusto Pinochet will learn next week whether he is free to return to Chile or must remain in England to face possible extradition to Spain on charges of crimes against humanity.

The Law Lords, Britain's highest court, said Wednesday they would make public next Wednesday their ruling on his claim that as a former head of state he enjoys sovereign immunity from arrest. He has been held under house arrest in England since Oct. 16 in response to an application from a Spanish judge seeking his extradition to Madrid to stand trial on charges of murder, torture and kidnapping in connection with the deaths or disappearances of more than 3,000 people in the 17 years he ruled Chile.

The former Chilean dictator, 83, has been living in a rented house in a London suburb since being released on Dec. 1 from a hospital where he was recovering from back surgery. He has denounced the charges against him as "the lies of Spain." (NYT)

Turkish Parliament Close to Censure Vote

ANKARA — Turkey's Parliament took a step toward a censure vote against Prime Minister Bülent Ecevit on Wednesday, but he said his foes would not succeed in delaying April elections even if they toppled him.

An alliance of dissident secularist deputies and Islamists pushed Parliament a step closer to censure by voting to schedule a preliminary debate on the motion for Thursday. A final vote could not be held until Tuesday at the earliest if the motion cleared other hurdles.

But it was not clear whether the opposition could muster the votes needed to deliver a lethal blow to Mr. Ecevit's caretaker government. (Reuters)

New Killing in Ulster

BELFAST — Northern Ireland was hit by violence on Wednesday when a man thought to be a pro-British Protestant was shot to death in Belfast, the police said.

BBC television described the victim as "a former leading member" of a Protestant "loyalist" guerrilla group, the Red Hand Commando.

The police did not disclose the victim's identity or suggest a motive, but there was speculation that he might have been shot by fellow Protestant hard-liners. (Reuters)

Blair Uses EU Crisis to Push Reform

By Tom Buerkle
International Herald Tribune

LONDON — By acting swiftly to demand wholesale changes at the European Union's executive commission, Prime Minister Tony Blair appears determined to use the corruption crisis to push for fundamental EU reform and demonstrate the value of his positive engagement with Britain's European partners, officials and analysts said.

Mr. Blair's high profile reflects the big stakes for his government in the crisis, which officials believe will have a major impact on British attitudes toward the Union and toward eventual British participation in the euro. But signs of resistance to radical change in parts of Europe, particularly in some southern countries, suggest that Mr. Blair faces an uphill battle in his reform drive.

The European Parliament report that led to the mass resignation of the 20-member commission Monday night provided strong evidence of corruption and mismanagement, problems that Euroskeptics here have long claimed are endemic in the Union and argue against Britain's closer involvement. The report came less than two weeks after Mr. Blair sent a clear signal that his government favored joining the euro and would push for a referendum around the year 2001 or

2002, a coincidence the skeptics were quick to point out.

"By any normal logic, the events of this week should halt the drive toward further European integration, and they should certainly drive home the point that it would be folly to hand over our currency," The Daily Telegraph said in an editorial Wednesday.

It was precisely to blunt those arguments that Mr. Blair sought to take the high ground over the commission, as well as the future direction of the Union itself. He was the first EU leader on Tuesday to demand that Jacques Santer leave the commission presidency as soon as possible and be replaced by "a political heavyweight."

"He's very cleverly and quickly moved to turn a potential problem into an advantage," said Charles Grant, director of the Center for European Reform, a London think tank. Mr. Blair will never win the votes to enter the euro if the perception persists in Britain that the EU is rife with corruption and nepotism, Mr. Grant said.

On Wednesday, Mr. Blair welcomed the commission's announcement that it would not stay in office any longer than necessary, but declined to state his preference for Mr. Santer's successor, saying only that the EU leadership should "make sure it is the right person." Officials said

Britain was determined to resist the traditional EU horse-trading for top posts, in which nationality and party affiliation have often mattered more than ability.

Mr. Blair also called for major administrative reforms, including tighter controls over spending, more-transparent procedures for awarding contracts, and stricter accountability standards and disciplinary procedures for commission officials. "This is the best and maybe only chance in the next few years to get this going," a senior British official said.

Britain has long pushed for administrative reform inside the EU, and Mr. Blair taunted his Conservative opponents on the issue, saying the previous Conservative government's open hostility to the Union had prevented it from winning allies.

But Mr. Blair's reform prospects remain unclear. Southern countries have traditionally regarded the commission as their best ally for maintaining the flow of EU farm and development subsidies to their countries, and the Spanish government has expressed its desire to see a largely intact commission stay until its term expires at the end of this year.

Indeed, Mr. Blair was criticized at home for insisting that the two British commissioners, Sir Leon Brittan and Neil Kinnock, be reappointed even as he demanded the resignation of Mr. Santer.

A Proposal on Russia-Iran Nuclear Ties

Moscow Offers to Curtail Links for End to Sanctions on Research Centers

By Michael R. Gordon
New York Times Service

MOSCOW — Russia has offered to curtail nuclear cooperation with Iran if Washington ends sanctions against two leading Russian nuclear research centers, Russia's Atomic Energy minister said in an interview.

The proposal came as Prime Minister Yevgeni Primakov prepares to travel to Washington next week for talks on security issues and to appeal for billions of dollars in credits from the International Monetary Fund. The aim of the Russian proposal is to remove a major irritant in relations with the West and unlock valuable contracts to Russia's hard-strapped nuclear institutes.

Senior U.S. government officials said that the atomic energy minister, Yevgeni Adamov, had presented the plan to American officials last week and that the two sides were trying to hammer out an agreement before Mr. Primakov's trip.

"It would help with the overall tone of our relationship," a senior administration official said. "Adamov is taking the initiative and appears to have Primakov's support. But we still have a paper to negotiate."

Mr. Adamov's proposal, made in an interview Monday, addresses one of Washington's main fears: that Russia

may expand its nuclear cooperation with Tehran.

Russia is already planning to build several nuclear power reactors at Bushire, Iran. While American officials object to that project, they are even more worried that Russia will also provide Iran with heavy water and graphite reactors, which are especially useful in producing plutonium for nuclear bombs. Those fears led the United States to impose sanctions in January against the two leading research centers: the Scientific Research and Design Institute for Power Technology, also known as Nikiet, and the Mendeleev University of Chemical Technology.

Russian nuclear cooperation with Tehran is also a major concern of Israel.

The sanctions were especially embarrassing for the Russians since Mr. Adamov used to be the head of Nikiet.

"Nikiet is really at the center of our concern," a senior American expert said. "It is the principal Russian entity that could provide assistance beyond Bushire. If we can address Nikiet, we have made a very significant step."

Mr. Adamov's plan, in theory, would do precisely that. Mr. Adamov said he wanted to sign a document in Washington affirming that Nikiet has cut off all contact with Iran. In return, the United States would lift sanctions

against Nikiet. A similar agreement, Mr. Adamov said, could be worked out for Mendeleev University.

A procedure would also be established to discuss future American-Russian disputes about the provision of Russian nuclear technology to Iran, according to Mr. Adamov's proposal.

But Russia would not abandon its plan to build nuclear reactors at Bushire.

Mr. Adamov said he had already instructed Nikiet to break its ties with Iran, although American officials said there were signs that the contacts were continuing.

Iran is just one issue where the Russians are hoping for a breakthrough. A compromise has already been worked out concerning 16 advanced computers the Russians obtained in 1996 in violation of American export controls.

The Russians obtained the International Business Machines Corp. computers using Moscow-based middlemen and installed them in the closed nuclear city of Arzamas-16, a design center for Russia's nuclear arsenal.

The Clinton administration initially asked that the computers be returned. Under the compromise, the computers have quietly been moved from a military site to a civilian site within the closed city: a building used by Sberbank, a government-owned bank.

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Herald INTERNATIONAL Tribune

Tangled China Policy

Untangling the various strands of the Clinton administration's China policy will not be easy in the politically charged atmosphere that prevails in Congress on this issue. But it is essential that the multiple investigations now under way yield a dispassionate assessment of whether the White House was lackadaisical about protecting American security interests, and whether 1996 Clinton campaign fund-raising distorted policy-making.

The White House bristles at such speculation, but it has only itself to blame for the public concern that the Clinton re-election campaign may have infected the handling of China in improper ways. It may well be, as the White House insists, that the turn in China policy in 1996 from confrontation toward cooperation was scrupulously insulated from campaign activities. On such a serious charge, the White House deserves the benefit of the doubt unless hard evidence to the contrary is produced.

But the picture of potentially overlapping interests in 1996 bears review. Just as the Clinton campaign was eagerly accepting large donations from contributors who were linked to China of eager to do business there, the administration was rethinking its policy and fumbling the first of several warnings that China might be stealing advanced nuclear weapons designs from the United States. Congressional leaders must coordinate the work of various House and Senate committees to look closely at this sequence of events.

There was good reason to reconsider China policy. Relations were rocky, and 1996 opened with a confrontation over Chinese threats against Taiwan. Tensions subsided, but both countries were shaken by the crisis, which included the dispatch of American naval forces to waters off Taiwan. The subsequent White House review of China policy, it is now clear, coincided with other developments that could have filtered into the effort to stabilize relations. American corporate executives with commercial interests in China were generously donating to the Democratic Party. Shadowy sources possibly linked to the Chinese government were making large contributions to the Clinton campaign.

Unfair to Immigrants

One of the shabbier stories of the past several years has been the U.S. government's whittling away of the rights of foreigners living legally in America. This campaign has been led by Republicans in Congress, but the Clinton administration has been complicit. The rhetoric has been aimed at illegal immigrants — criminal aliens, in the preferred phrase — but the victims in too many cases have been permanent residents and their American relatives, who have found themselves deprived of the most basic elements of due process and fair treatment. The administration, courageous in its defense of airline passengers and other such oppressed minorities, has risked little political capital on behalf of this particular group.

Congress opened the assault in 1996 with legislation aimed at accelerating the deportation especially of illegal immigrants who commit criminal offenses. Fair enough; people who enter the country illegally have no claim to remain, and if they break U.S. laws there is all the more reason to evict them. The new laws, along with more resources for and greater commitment by the Immigration and Naturalization Service, led to a doubling of the deportation rate.

But in seeking more rigorous enforcement, the legislation gratuitously took a swipe at innocent parties as well. The laws greatly expanded the range of offenses for which even legal residents can be deported, to include minor theft and drug possession. Then they made the changes retroactive, so that people who had served their sentences and returned to law-abiding lives suddenly found themselves in danger of eviction. Finally, the laws removed practically all discretion, so that neither judges nor executive branch officials could make exceptions.

The results have been harsh indeed. Legal permanent residents who have been supporting families for a decade or more suddenly found themselves in detention, with no possibility of bail or appeal. Children adopted from foreign countries as toddlers have been shipped back to those countries as

that were later found to be improper.

Congress needs to see if the administration's hesitant handling of the Los Alamos espionage case was shaped in any way by a desire to avoid any upheaval in relations with China. It is hard to understand why the first notification of possible spying at Los Alamos in April 1996 did not immediately lead the White House to demand the most intensive investigation possible and to order tightened security at the lab. The White House, the Energy Department and the Justice Department let the case drift for months, even though one Energy aide was closely monitoring the spy matter and another quickly ordered enhanced security. His orders were delayed. Congressional leaders say they were not adequately informed about the possible theft of vital nuclear weapons technology.

The administration must give Representative Christopher Cox and his select committee on China wide latitude in declassifying their report on the transfer of sensitive military technology to the Chinese. It is especially important to determine if campaign contributions played any role in the misguided White House decision in 1996 to make it easier for American companies to export communications satellites with potential military applications. One panel member, Democrat Norm Dicks, reports that all the officials who testified before the committee denied that campaign considerations played any role in managing relations with China. If they were correct, the White House should not fear publication of the report.

Looking back at the events of 1996, it is interesting to find that Warren Christopher, who was then completing his tenure as secretary of state, remained wary about rushing to embrace China. Although armed with a new policy of engagement as he made his way to China for the last time that November, Mr. Christopher dropped the word "partnership" from the speech he delivered in Shanghai. It "sounded a little too cozy," he recalled later in his book "In the Stream of History." The mystery is why so many of his colleagues failed to see the same thing.

—THE NEW YORK TIMES.

Other Comment

Britain's Atlantic Option

It would be logical for Britain to negotiate entry into NAFTA, which will probably be renamed and which is already negotiating with the European Economic Area and the European Free Trade Association, as well as with Chile. Such an expanding NAFTA would have every commercial advantage over the EU. It is based on the Anglo-American model of relatively restrained taxation and social spending. NAFTA, as its name implies, is a free trade area only. The United States will not make any significant concessions of sovereignty and does not expect other countries to do so.

The Anglo-American special relationship is both broad and deep. None of the Continental European countries has a particular affinity with the United States and Canada, or anything remotely comparable to Britain's dramatic modern historic intimacy with North America.

—Conrad Black, commenting in The National Interest (Washington).

Food Sanctions Are Bad Policy, So Just Lift Them

By Stanley A. Weiss

PARIS — What parent has not, with at least some success, withheld candy until Jack cleaned up his room or Jill took out the trash? But modifying the behavior of a preadolescent is a far cry from changing the course of a country. That is what U.S. policymakers continue to try to do with food, which remains on the list of items that Americans cannot export to places like Iran.

Using food as a weapon usually backfires. Remember the grain embargo imposed by President Jimmy Carter in 1980 when the Soviet Union invaded Afghanistan? The Soviets did not change their policy, they simply switched suppliers and got their wheat from other countries. American farmers paid the price.

Even after the embargo was lifted, American farmers never reclaimed their share of the U.S.S.R.'s vast market. More than 18 years later, U.S. grain exports to the former Soviet republics still have not rebounded to pre-embargo levels.

Food sanctions too often miss their intended target and end up landing

closer to home — among America's struggling farmers, who have seen exports drop from \$59.6 billion in 1996 to a predicted \$49 billion for 1999.

Former Defense Secretary Dick Cheney said recently, "Our government is sanctions-happy [but] unilateral sanctions almost never work."

The exception is when a country has a strong monopoly on the sanctioned product. If, for example, the issue revolved around American biotechnology or composite materials, sanctions might have a chance, at least in the short term. But that is hardly the case with Iran's request for U.S. approval of a \$500 million cash deal to import wheat, corn, sugar, rice and other foodstuffs. The Iranians can easily acquire these products from other countries.

The United States has imposed sanctions 60 times in the last five years. American business is being shut out of more and more countries, leaving competitors to pick up the customers.

In the case of Iran there is a further irony. Proponents of food sanctions cite their concern for Israel's security, but Israel itself, despite well-founded fears that Iran constitutes a serious strategic threat, trades extensively with the Islamic Republic.

Jane's Intelligence Review puts Israeli exports to Iran of agricultural equipment and water purification installations at \$185 million in 1997 and double that last year. Most of the contracts are maintained under European cover, but the Iranian, Israeli and American governments are well aware of what is going on.

The United States needs to develop a new trade policy with Iran, and the place to begin is with food. Why? Because America should not embargo food anywhere.

Selling grain to Iran would not put a penny in the pockets of its hard-liners, nor would it hamper Washington's anti-terrorism or anti-proliferation objectives. Indeed, it might help.

The United States quickly lifted its sanctions on food for Pakistan and In-

dia after their nuclear tests, while continuing to pursue its nonproliferation efforts with both countries. After a plea from Pope John Paul II, President Bill Clinton authorized the sale of food to Cuba. Even North Korea receives U.S. food assistance, as does Iraq through the food-for-oil exchanges.

The White House should declare that it will lift all sanctions on food. Washington should announce that it will no longer be U.S. policy to prevent food sales to governments with which it differs. It should then remove all current food sanctions that have been imposed by executive order. Mr. Clinton may be surprised by how quickly Congress follows suit and repeals legislative sanctions on food that are on the books.

In the grown-up world of international relations, using food as a weapon has all the effectiveness of a pogrom.

The writer is founder and chairman of Business Executives for National Security, an organization of U.S. business leaders. He contributed this comment to the International Herald Tribune.

EU Sideshow: The Commissioners Aren't the Problem

By Giles Merritt

BRUSSELS — So has the European Commission begun to turn the tables on its critics? By resigning on Tuesday en bloc, the 20 commissioners plunged the EU into an unprecedented crisis and highlighted the relative unimportance of the issues that prompted their resignations — administrative irregularities, rather than serious abuses of power.

The commissioners have in effect called on the national governments that appointed them to reappoint them for the remaining nine and half months of their five-year terms.

Next week the European Union must confront the fundamental question of how to finance enlargement of the EU and to reform its controversial farm subsidies system. When the 15 national leaders meet in Berlin on Wednesday to discuss the budget deal that Europe badly needs, they will also have to focus on the aftermath of the commission's resignation.

By then, with the dust beginning to settle, it will have

become clear to the member governments that the EU's essential business of pushing forward the process of European integration risks being interrupted by a nonessential sideshow.

This is not, of course, how the European media are portraying the commission's resignation. News reports and editorial comments have favored the line that the commissioners were forced out of office because of the serious criticisms in a 148-page report by independent assessors who have been looking into allegations of fraud and mismanagement.

In truth, malfeasance has been greatly exaggerated — a few isolated cases of criminal fraud by junior officials and of nepotism by more senior people have been blown up into a picture of systemized corruption in the EU's Brussels-based bureaucracy. The commission is badly structured, arrogant, impervious to new ideas, complacent and resistant to change, but to pre-

sent it as some sort of banana republic is patently absurd.

The fact that these allegations concern only a tiny handful of people in a body of some 18,000 officials who administer almost \$100 billion in annual spending has been largely ignored in the media's rush to judgment. The commissioners are reaping the harvest of their inability, and in some cases unwillingness, to address the crucial problem of information and communication in a bureaucracy that often equates secrecy with power.

President Jacques Santer and his team apparently felt that the critical tone and language of the independent assessors' report left them no choice but to resign in protest. Rather than resign after the report, they resigned over it. In doing so, they no doubt hoped to regain the initiative in the power struggle that is being fought out between the commission and its increasingly outspoken critics in the European Parliament.

The Santer commission's resignation has in any case shocked Europe into looking much more closely not just at the mismanagement allegations but also at the whole complex of problems that bedevil the EU. The loss of political control that the report reproaches the commissioners for results from the political weakening and the overhauling of the Brussels system has suffered over the years suffered at the hands of the EU member states.

The interim commission that emerges from the ruins of the Santer commission will almost certainly feature a high proportion of familiar faces; many governments will want to reappoint their commissioners, in part because they see the continuity of EU policies as a far higher priority than resolving a squabble between commissioners and parliamentarians. Also, they have no ready replacements to step in at short notice.

All the major players will doubtless have been rattled by this week's surprise turn of

events. The European Parliament, which started it all, will have to show restraint and responsibility if it is not to suffer a public opinion backlash for triggering a frivolous crisis over the sort of minor financial irregularities that its own members are so prone to.

The heads of government will need to demonstrate coolness and vision by concentrating in Berlin on the Union's budgetary difficulties, while underlining the importance they will be attaching to institutional reforms that would go to the heart of the current dispute. It is up to the member states to design a more democratic EU as well as a more efficient one.

The commission as a political institution is in a state of shock. It has been savaged by its detractors for reasons that are mainly pretexts. But most senior commission officials also know that this crisis stems from the many genuine complaints that exist about Brussels's manner of conducting EU business.

International Herald Tribune

Today's Americans Prefer to Mind Their Own Business

By William Pfaff

NEW YORK — The belief that Bill Clinton is the greatest of America's postwar presidents so far as foreign policy is concerned is the most astonishing, but probably least important, finding of the new national survey of U.S. public opinion issued by the Chicago Council on Foreign Relations.

The council has surveyed opinion on foreign policy matters every four years since 1974, providing useful portraits of what the public and a selected group of leaders concerned with foreign affairs think about the country's international policies. This latest poll was conducted from last Oct. 15 to Nov. 10.

The belief that President Clinton's foreign policy has been better than Harry Truman's or Dwight Eisenhower's (rated fifth and sixth) suggests that today's public knows little about recent history. It also indicates, as the Chicago Council's analysis notes, that people

associate "the perceived absence of international crises affecting them with the successful handling of foreign policy."

The best foreign policy is when nothing much happens? This is not entirely unreasonable, and provides a key to understanding the rest of the survey, which shows a continuing high level of internationalist sentiment (so long as policy is relatively cost-free) but a decline in real internationalist commitment.

Sixty-one percent of the public favored an active U.S. international role. Asked whether the United States should "stay out of world affairs rather than take an active part," 32 percent supported an isolationist stance.

Asked if vital U.S. interests are at stake abroad, affirmative answers were the lowest since 1978. As for taking unilateral

action against foreign threats, 72 percent said "no" and only 21 percent said "yes." (The rest didn't know.) Forty-four percent of the leaders said they would act unilaterally.

The public expressed greatest concern about Japan, Russia, Saudi Arabia and China. The countries toward which the public expressed the warmest feelings were, in order of ranking, Canada, Britain, Italy, Mexico, Germany, Brazil, Japan, Israel and France.

The divergence between popular opinion and that of the separately polled leadership group was larger this year than in any previous Chicago Council survey except that of 1990, when the Cold War had just ended.

Forty-nine percent of the public now opposes economic aid to other nations, but only 10 percent of the leadership. Sixty-seven percent of popular opin-

ion opposes further funding for the IMF, but only 16 percent of the leaders agree.

On questions of military intervention, 66 percent of the public opposed troop use if North Korea invades the South; 48 percent were against U.S. ground action to defend Saudi Arabia from an Iraqi invasion; 56 percent said they were against fighting alongside Israel against a hypothetical Arab invasion; 68 percent said they opposed joining Taiwan in a war against China. The leaders favored ground intervention in each case by, respectively, 75, 80, 71 and 52 percent.

The figures are significant as indicators of popular attitudes, but it is hard to believe that they would count for much should one of those military crises actually occur.

Overall, the responses demonstrate an indifference to foreign issues except when they seem to have a direct effect on domestic life. When people were asked to name the biggest national problems today, neither the public nor the leaders spontaneously named an international issue.

Both said the economy was an important problem, but without indicating that they saw it as particularly an international matter. The problems seen by the public mainly concern social issues (58.5 percent of the responses), problems of government (19.5 percent) and the economy (13.7 percent).

The leadership group also ranked social problems first (54.6 percent), but foreign is-

suess second (19.5 percent). The foreign problems named were Iraq, followed by the world economy, arms control, dealings with Russia, the Japan/Asian economic crisis, the Middle East etc.

When the general public was asked to name a foreign policy problem, 21 percent said they didn't know. Other responses included terrorism, the world economy, the balance of payments, the Middle East, and "getting involved in the affairs of other countries" (7 percent). These, except for the Middle East, are all disguised expressions of domestic worries.

The most important conclusion that follows from this survey is that while America's leaders are internationalist and ambitious, the public is nominally internationalist but in practice fundamentally isolationist.

The foreign policy establishment's enthusiasm for exotic threats from free-lance terrorists and "rogue nations" finds an echo in public concern over nuclear proliferation. But next on the public's list of worries come the drug trade and protecting U.S. jobs.

The public's preoccupation with domestic affairs (only 29 percent are "very interested" in other countries) is an unsurprising product of the times, which are seen as generally unthreatening. The portrait that the survey paints is of a peaceful American people who would prefer to mind their own business.

International Herald Tribune, Los Angeles Times Syndicate.

Next, a Comeback for Foreign Affairs?

By Jim Hoagland

WASHINGTON — The Clinton administration's faltering foreign policy blesses Republican presidential hopefuls with a target-rich environment. John McCain opened fire this week. George W. Bush will follow suit shortly.

After a long hiatus, the world will be with Americans through the coming campaigns for the White House.

The senator from Arizona and the Texas governor are out to establish themselves early as the foreign policy heavyweights seeking the Republican nomination. Each has assembled a strong team of brand-name advisers who preach an urgent need to re-establish American strength and leadership abroad. Each hopes to summon echoes of Ronald Reagan's successful 1980 assault on the Democrats on those points.

Mr. McCain, speaking in Kansas on Monday, offered explicit praise for the Reagan doctrine of counterinsurgency and for a national missile defense system à la Mr. Reagan's Strategic Defense Initiative.

Mr. Bush will not speak out on national and international issues until the Texas Legislature finishes work this year. But by giving George Shultz and other former Reaganites prominent positions on his foreign policy advisory team, he reaches out to touch Mr. Reagan's mantle.

This underlines his determination to run as himself and not as the son of ex-President George Bush. "He admires his father too much ever to say anything negative about him," says

one person who knows the governor's thinking. "But he also knows primary voters have always had doubts about his father as a 'true' conservative. He is shrewd enough to see that running on Reagan's legacy is more potent than following in his father's footsteps, even in foreign affairs."

To that end the Bush camp has put out the word that some of his father's closest associates, Jim Baker and Dick Darman, in particular, are not welcome in this campaign.

This seems personal as much as political. The governor is said to feel that Mr. Baker (reluctant manager of the 1992 campaign) and Mr. Darman served his father poorly. Former Defense Secretary Dick Cheney and other Bush administration survivors have won key roles on the younger Bush's national security advisory team.

There is rough justice here. When Mr. Baker became secretary of state in 1989, he underlined the break with the Reagan era by never consulting with Mr. Shultz, a slight that Mr. Shultz has never forgiven. In 1992 the elder Mr. Bush decided to de-emphasize his foreign policy accomplishments in the campaign (the view was that voters didn't care about such issues after the Cold War) and to run on his domestic record. Four years later, Bob Dole's campaign managers chastised the Republican nominee for getting "off message"

by bringing up foreign policy. But the attention that Mr. McCain and the younger Mr. Bush have given to assembling and listening to their foreign policy teams indicates that they think it will be different this year, as Bill Clinton takes hit after hit on his China policy, on codding Mexico on the drug trade or North Korea on nuclear proliferation, or on confronting Saddam Hussein belatedly and without a coherent strategy.

Mr. McCain went down that checklist on Monday.

Seated on the platform as he spoke at Kansas State University was Senator Chuck Hagel of Nebraska, a Republican moderate and internationalist who had been expected to play a leading role on the Bush team. Mr. Hagel advised Mr. Bush privately 10 days before that he would become one of the McCain campaign's co-chairmen instead.

And last Saturday Mr. Hagel was a featured speaker in Washington at a Trilateral Commission meeting, where he stressed to the internationalist group the importance that global issues will have in the coming campaign, in part because of world economic turbulence.

"If you can't sell your corn, your beef, your small business products abroad today, you are in trouble. Farmers know that as well as Harvard professors." Frying in under the radar of Mr. Bush's front-running campaign, Mr. McCain has set an early and promising tone for a political campaign to give direction to a new century.

The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1899: Hawaii Princess

SAN FRANCISCO — Advances received from Honolulu state that Princess Kaiulani, who had been suffering from rheumatism of the heart, died on the 8th of this month. Princess Kaiulani was a niece of Queen Liliuokalani and would have succeeded to the throne if the Hawaiian Islands had not been annexed to the United States.

1924: Black Official

WASHINGTON — After a stormy debate, in which the Administration was accused of playing politics for the purpose of gaining the negro vote of the South, the Senate today [March 17] confirmed the nomination of Walter Cohen, a negro, as Collector of Customs for the port of New Orleans. Mr. Cohen was nominated by President Harding, and has

been an Administration storm-center ever since. A year ago the Senate refused to confirm his nomination. In spite of his rejection by the Senate, he was given a recess appointment and has been holding the office.

1949: Vice Benefits

GARY — Prostitutes are not eligible for unemployment compensation in Indiana, but gamblers are. The manager of the Indiana Unemployment Compensation Bureau said several persons who admitted they are gamblers and prostitutes have filed applications for unemployment benefits as an aftermath of Gary's week-long war on crime and vice. The manager said gamblers will be paid \$20 weekly for twenty weeks unless they go back to work sooner. The prostitutes are ineligible, he said, because they are classified as independent contractors.

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OPINION/LETTERS

Africa's Hopes Rest on Nigeria's Transition

By C. Payne Lucas

WASHINGTON—Any one wishing Africa well would be anxious to see Nigeria's continuing transition to democracy succeed. For all of Africa, the stakes are enormous.

More than any other country in Africa, Nigeria has both the means and the will to play the leading role in the continent's stability.

In the past decade, Nigeria proved itself willing and able to bear the brunt of peace-keeping operations in Guinea-Bissau, Liberia and Sierra Leone. A stable and democratic Nigeria, served by a professional army that subjects itself to civilian authority, can do more than any other country to save Africa's people the enormous cost and human toll of constant conflict.

In spite of the terrible economic beating their country has taken in many years of military misrule, Nigerians still represent a large pool of brilliant and highly trained people. It can reasonably be said that without Nigeria, political and economic progress in Africa cannot go far.

In conversations with Nigerians, one gets the sense that this current round of transition is probably the last chance to get things right. Many believe that either their country gets it right this time or the world might witness tragedy that could prove to be far worse than the catastrophic Nigeria-

Biafra war of the late 1960s. As we saw with the tragedy in Rwanda, it makes a lot more sense to play an active conciliatory role before things get out of hand than to engage in guilt-ridden soul-searching after irreversible damage has been done.

Nigeria's transition, however imperfect, is on course.

Without Nigeria, political and economic progress in Africa cannot go far.

But Nigerians will need plenty of support from the West in the next five to 10 years, especially with the collapse in the price of oil, the country's unpredictable and still powerful military, and the continuing unrest in the oil-producing Niger Delta.

The United States and its allies must remain engaged in Nigeria well beyond the scheduled handover to an elected government on May 27. They must encourage the government and people of Nigeria to respect the rights of all citizens, whatever their ethnic and religious backgrounds and in whatever part of the country they might live.

The West can put in place a vigorous program to help strengthen Nigeria's economy and its civil society. If democracy survives in Nigeria, the chances of its survival in many other African nations will be much higher, especially in West Africa.

In any effort to discourage or contain the emergence of dictatorship, nothing works better than a growing middle class, a free press and a strong, confident civil society.

Nigerians have paid a high price for the extensive dishonesty in their government all these years. The era that ended with the death of the dictator General Sani Abacha in June was the worst in a trend that previously seemed as bad as it could possibly be.

Just last week, the transitional military government announced that some of the more than \$700 million recovered from the Abacha family and its cronies would be put back in the nation's dangerously low foreign reserves, and another portion distributed to states and local governments for badly needed services.

In the less than five years that General Abacha was in power, at least \$5 billion is known to have been stolen from the public purse. A lot of that money—and possibly as much as \$30 billion that ana-

lysts believe has been stolen from the Nigerian people in the past 28 years—is still hidden in banks in Europe and the United States.

It may not be wise or practical to expect the next government to take on the potentially disruptive task of trying to prosecute all those who stole enormous sums. Such a move is likely to upset the restive military. The president-elect, Olusegun Obasanjo, is himself a retired general who understands how dangerous angry military officers can be for Nigeria's stability.

But the U.S. government is in a strong position to help the Obasanjo government quietly recover much of the loot. With oil prices at their lowest point in decades, the government itself and the long-suffering Nigerian people need the money.

American corporations are well-positioned to play a major role in the economic recovery of Nigeria. They can also help ensure transparency by keeping their deal-making honest and ethical. It is not just the right thing to do. In an economy with the size and potential of Nigeria's, there will be enormous rewards for everyone down the road.

The writer, president of Africare, a nonprofit organization active in 28 African countries, contributed this comment to The Washington Post.

A Brave Old World: Life Begins at 140

By Daniel Kevles

PRINCETON, New Jersey — The prospect of hyper-longevity life spans is tantalizing, not least to one's curiosity. If Thomas Jefferson, who was born in 1743, had lived to be 200, he might have been spared by half a century the DNA analysis of Sally Hemings's descendants, but he would have seen automobiles and airplanes, not to mention two world wars. What might a 200-year-old born today eventually see?

For some biologists, such questions no longer sound like science fiction. Having extended the life spans of fruit flies, nematodes and mice, they now believe it is only a question of when they will be able to do so for humans.

If the results obtained with the lower organisms indicate what is in store, the normal human life span will eventually more than double, extending up to perhaps 200 years. And even at nine score and ten, people will remain pneumatic and supple, able to bound from Exercycle to jogging path without losing a breath.

But a longer-lived mouse will not necessarily make us into Methuselahs. The actuality of the technical future usually lies in the details.

Long before the discovery of nuclear fission, scientific visionaries predicted that the energy trapped in the atom would one day be released, so that great ocean liners could cross the Atlantic powered by the atoms in a single glass of water. Those predictions ran afoul of the gritty technical details of generating nuclear power, including the realities of reactor safety, nuclear waste disposal and the po-

tential for human operating errors. It seems even more hazardous to start making rosy predictions about a society of gym-buffed bicentenarians. At least one huge detail remains unaddressed: whether the 200-year-olds' mental powers will match their physical ones. And even on the purely

MEANWHILE

physical front, the few clones at hand are not very encouraging. Compared with their normal brethren, the long-lived mice are small and fat; the ancient fruit flies do not seem able to reproduce until they are well past the usual age of fly-bearing.

The genes for longevity, like all genes, are probably imbedded in an integrated conglomerate, the sort of self-regulating system that keeps cells cooperating with each other and organs functioning in their place. Maybe the genes controlling aging can be jiggered independently so that the jiggering does not mess up anything else. But maybe not. Tomorrow's children might be genetically engineered to live longer, but they might also all be short, fat and unable to bear children until they are much older than they would like.

And forestalling death would inevitably worsen many of the social crises that already loom. It would increase population, further burdening the planet—and might well create a generation gap of titanic proportions. It is unlikely that the procedure for

slowing down aging would be available to everyone. Some biotechnology company would no doubt patent the relevant genes, or the procedures for deploying them, or both, and then charge whatever the market would bear, which would likely be almost anything.

It is difficult to imagine the government authorizing Medicaid to provide poor people with the genes for living an extra century or two. It is equally difficult to envision your friendly health maintenance organization offering the genetic enhancement, since if you live longer, you will further burden its services and tax its profits. Those who can pay for the technology will get it, and those who can't—much of the population—will not.

In "Brave New World," Aldous Huxley's dystopia of Alpha elites and Delta drones, people are engineered to possess at 60 the powers they had at 17. A World Controller explains, "Now—such is progress—the old men work, the old men copulate, the old men have no time, no leisure from pleasure, not a moment to sit down and think."

Whatever tomorrow's 200-year-old men and women would do with their time, one outcome seems certain. They would be an elite in a two-tiered society: the Alphas, long-lived by virtue of their affluence, and the numerous Deltas who support them, still bound by the diminishing capacities of aging, and by the biblical three score and ten.

The writer, author of "The Baltimore Case," is visiting professor of bioethics at Princeton University. He contributed this comment to The New York Times.

LETTERS

'Zero Faults' Military

Regarding "A Military Culture Where No One Is Held Accountable" (Opinion, March 13) by William Pfaff:

Mr. Pfaff is correctly concerned about potential intolerance of risk in the U.S. military. He is misinformed, however, about the bombing in Saudi Arabia in 1996, where the U.S. Air Force commander's career was ended despite his having implemented extensive procedures recommended by an outside security review before the attack.

The commander was quite competent to deal with base security and he did so, but the attackers succeeded nonetheless. This was a classic example of "old school" commander accountability as described by Mr. Pfaff, for better or worse. In this case, some thought the action against the commander represented accountability, while others sensed the scapegoating that encourages risk intolerance.

The impression of a "zero faults" culture in the U.S. military is widespread, although its relation to the end of national military service as suggested by Mr. Pfaff is unclear at best. My experience as a fighter squadron commander in Europe was different: I was rewarded rather than punished for taking constructive risks, ranging from tactics in "graded" exercises to new systems in Bosnia, despite my failure to achieve a zero-faults record.

Risk aversion that saves lives in the course of accomplishing the mission is a commander's responsibility. A given risk looks different to the one who writes the letters to the next of kin, but Mr. Pfaff is right to warn of the equally grave long-term consequences of risk intolerance.

Moreover, U.S. engagement abroad, with its goals of shaping the security environment and preventing or minimizing crises, depends upon its being conducted at a cost, human and financial, deemed acceptable by the American public. This pressure, combined with the real risk to American lives, is much more important than changes in military culture in driving the current emphasis on force protection, and it affects State Department embassies as well as military operations.

JOSEPH R. WOOD, Paris.

The writer is a lieutenant colonel in the U.S. Air Force.

A Marine Corps pilot who needs an altimeter to tell him he is flying at 300 feet and a map to inform him that Alpine valleys have cable cars? In addition to a presidency without honor, the United States now has a military without shame.

JAMES SWETNAM, Rome.

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INTERNATIONAL

40 in Kosovo Were Victims Of Massacre, Study Finds

By R. Jeffrey Smith
Washington Post Service

ROME — An independent forensic study of the killings of 40 ethnic Albanians in the Kosovo village of Racak in January has found that the victims were unarmed civilians executed in an organized massacre, some of them, according to Western sources, forced to kneel before being sprayed with bullets.

The findings by Finnish forensic experts, whose report was released Wednesday in Pristina, the capital of Kosovo province, contradict claims by officials of the Serb-led Yugoslav government that the dead were armed ethnic Albanian separatists or civilians accidentally caught in a cross-fire between government security forces and separatist rebels. Western officials have blamed the government police for the killings.

"Because of the extreme sensitivity of the case, leaders of the European Union, which sponsored the inquiry, had asked the forensic team to withhold from the press and public some of its most potentially inflammatory findings, according to official sources.

The request, they say, was made out of concern that the results would further polarize the two sides in the Kosovo conflict and impede the Belgrade government's acceptance of a peace agreement for the Serbian province at talks under way in Paris.

One Western official said the German government, which holds the rotating chairmanship of the European Union, had ordered the Finnish team not to release a summary of its investigation, which includes details about how some of the victims appeared to have died. Instead, at Bonn's request, the team agreed to release only the voluminous summaries of autopsies it helped conduct on bodies of the victims.

The killings on Jan. 15 at Racak, an ethnic Albanian village southwest of Pristina, outraged the world and became a turning point in the yearlong conflict between security forces and the Kosovo Liberation Army, the main ethnic Albanian rebel group fighting for Kosovo's independence from Serbia, the dominant republic in the Yugoslav federation.

NATO leaders condemned the killings at the time and renewed their threat to carry out punitive air strikes against Yugoslav military targets. Days later, both sides in the conflict agreed to take part in peace talks in France sponsored by the United States, Russia and four Western European nations.

The forensic team's investigation, based on an examination of evidence at the site and autopsies conducted jointly with Yugoslav government pathologists, determined that 22 of the victims were slain in a gully on the outskirts of Racak, precisely where their bodies were found on the morning of Jan. 16. The gully is so narrow that these victims could only have been shot deliberately at close range, the sources said.

[On Wednesday, Helena Ranta, head of the Finnish team, told journalists that the killings were "a crime against humanity," though she declined to use the word "massacre," saying such terms were outside her mandate. Reuters reported from Pristina. Miss Ranta said it was up to appropriate legal bodies to carry out a follow-up investigation. But she said there were no indications that the people were anything other than unarmed civilians and there was no sign of tampering or fabrication of evidence.]

Although the bodies of some other victims in the village were moved into homes or a mosque before international observers arrived, the forensic experts were able to determine where all but four of the 40 victims had died.

From the pattern of the bullet wounds on their bodies and other evidence — such as their civilian clothing and possessions — the team found no reason to conclude that they were killed accidentally or were members of the Kosovo Liberation Army, said the sources, who asked not to be identified.

Western officials say the team found that the angle of the bullet wounds in the victims' bodies was consistent with a scenario in which some of them were forced to kneel before being sprayed with gunfire from automatic weapons. This "spray pattern" finding is among the sensitive details of the report.

Wounds on the bodies of some other victims suggest they were shot while running away, the sources said.

[In Pristina, Miss Ranta denied that there was a conclusion that some of the victims were forced to kneel before they were shot. The Associated Press reported.

"If we want to speculate about what happened, we would be speculating for days," she told a news conference.]

Finally what seems to have empowered the European Parliament — long derided as institutional window-dressing — is the growing awareness of people across Europe of the EU's growing power in their daily lives.

The need for greater transparency has



Milan Multinovic, the president of Serbia, gesturing Wednesday as he arrived at the Kosovo peace talks in Paris.

Serbs Seen Preparing Big Military Push

By Peter Finn
Washington Post Service

PRISTINA, Yugoslavia — A two-week offensive by government forces against ethnic Albanian rebels in northwestern Kosovo appears designed to clear a critical rail link for transporting heavy military equipment deeper into the separatist Serbian province, according to Western officials.

The bombardment of ethnic Albanian villages in the foothills of the Cicavica Mountain range along a main north-south road began after the killing of two Serbian civilians and the kidnapping of a Yugoslav soldier two weeks ago.

But what at first seemed like a military push to exact revenge has taken on a strategic dimension, Western officials

said. Serb-led Yugoslav forces moving south have shelled low-lying villages, displacing as many as 21,000 civilians in a swath of territory at the base of the mountains.

But the troops have not pushed into the heart of mountainous areas held by the Kosovo Liberation Army, the main rebel group fighting for Kosovo's independence from Serbia, the dominant republic of Yugoslavia. Instead, officials said, they appear to be establishing a buffer around the rail link.

The value of the rail line, which runs through Kosovo in the Macedonian border in the south, became more apparent Tuesday when the Yugoslav army moved seven Soviet-designed T-72 tanks to the village of Kosovska Mitrovica, 40 kilometers (25 miles) northwest of

Pristina, the provincial capital, officials said. Western officials said they were the largest tanks yet seen in Kosovo.

"This is rail and route clearance," said one official, "and they may also be testing the threshold of Western tolerance for their actions."

The NATO allies no longer seem sure how much they will tolerate, the official said, pointing out that a cease-fire agreement reached in October that specified limits on government military action against Kosovo civilians was in tatters.

Over the past three weeks in Kosovo, government forces have openly moved heavy military equipment including tanks, shelled civilian areas and restricted the movements of Western monitors — all clear violations of the cease-fire agreement. Villages along the rail line were in flames Tuesday, and heavy gunfire could be heard in the distance.

In the village of Prilaz, armed Serbian civilians drinking beer described the noise as "a little thunder."

Nearby, the villages of Glavotina, Strovce and Benkut were burning. And just northwest of Pristina, near the town of Obilic, there were reports of heavy shelling as the government military advanced — tracking the rail line — moved steadily closer to Pristina.

Ethnic Albanians accused security forces of looting villages abandoned by frightened residents. Humanitarian organizations said the flood of refugees in areas northwest of Pristina was at its highest level since last summer, when government forces launched broad military assaults on rebel positions.

"They are trying to get the most strategic points in Kosovo," the Kosovo Liberation Army commander, Sylejman Selimi, said in an interview. "They are preparing for NATO."

KOSOVO: NATO Renews Threat to Serbia

Continued from Page 1

An adviser to the Albanian delegation said that most of them were eager to get back to Kosovo as soon as possible, in view of reports that Mr. Milosevic has moved 30,000 to 40,000 troops into or close to Kosovo, defying an agreement he had made in October to pull out most of his military and police forces.

James Rubin, the spokesman for Secretary of State Madeleine Albright, arrived in Paris on Wednesday and said that she had invited the Kosovo-Albanian leaders to Washington after they sign the agreement and the talks end.

Mrs. Albright got the Albanian delegation to accept the accord in principle when the first phase of negotiations in Rambouillet ended Feb. 23, but they asked for time to consult with local military commanders in Kosovo before actually agreeing to sign.

"The Serbs continue to have problems with the political part of the agreement and are not prepared to discuss issues of implementation," said Wolfgang Petritsch, the European Union mediator in the talks, at the end of the third day of the talks Wednesday.

The United States, Britain, France, Germany and Italy, co-sponsors of the talks with Russia, say that the NATO peacekeeping force is an indispensable part of the 81-page draft accord.

If the Serbs remain opposed, or intensify the fighting significantly in coming days, the allies would probably not be ready to take action for at least a week, according to officials in Brussels.

The 400 American and British warplanes would not begin striking until after diplomats had been evacuated from Belgrade, the capital of Serbia and what remains of Yugoslavia, and 2,000 civilian cease-fire observers had left Kosovo, officials said.

After that, probably next week, NATO's secretary-general, Javier Solana Madariaga, could order a blitz against selected Serbian military targets by American cruise missiles launched from ships off the Balkan coast in the Adriatic. Depending on Mr. Milosevic's response to those strikes, Mr. Solana could then order a phased bombing campaign to destroy most of Serbia's ability to shoot down allied warplanes with ground-to-air artillery and rockets.

Allied diplomats hope that the threat of further destruction would be enough to get Mr. Milosevic to accept the accord. About 26,000 peacekeepers would deploy throughout the province to oversee the disbanding of the Kosovo Liberation Army, make sure that Serbian police and military forces now attacking civilian areas withdraw to selected areas and, within a year, leave the province altogether, and provide security while the Albanians take responsibility for their own affairs.

Albanians Flee New Fighting

About 7,000 ethnic Albanians fled their homes in southern Kosovo on Wednesday after Serbian security forces shelled the village of Kabas north of Pristina, Reuters reported from Pristina, Serbia, quoting a spokesman for a UN refugee agency.

"They started fleeing this morning and the movement continued all day," said Fernando del Mundo, spokesman for the office of the UN High Commissioner for Refugees.

"Serbian forces were shelling Kabas, which was already empty except for some KLA members, and some shells landed near Korisa, and that started it all."

Korisa is a town about 20 kilometers (12 miles) north of Pristina along the highway to Pristina.

KOREA South Likes Accord

Continued from Page 1

North Korean negotiators had come to terms in talks in New York after the United States persuaded the North to drop its insistence on a specific commitment on food in return for the right for multiple inspections of the site.

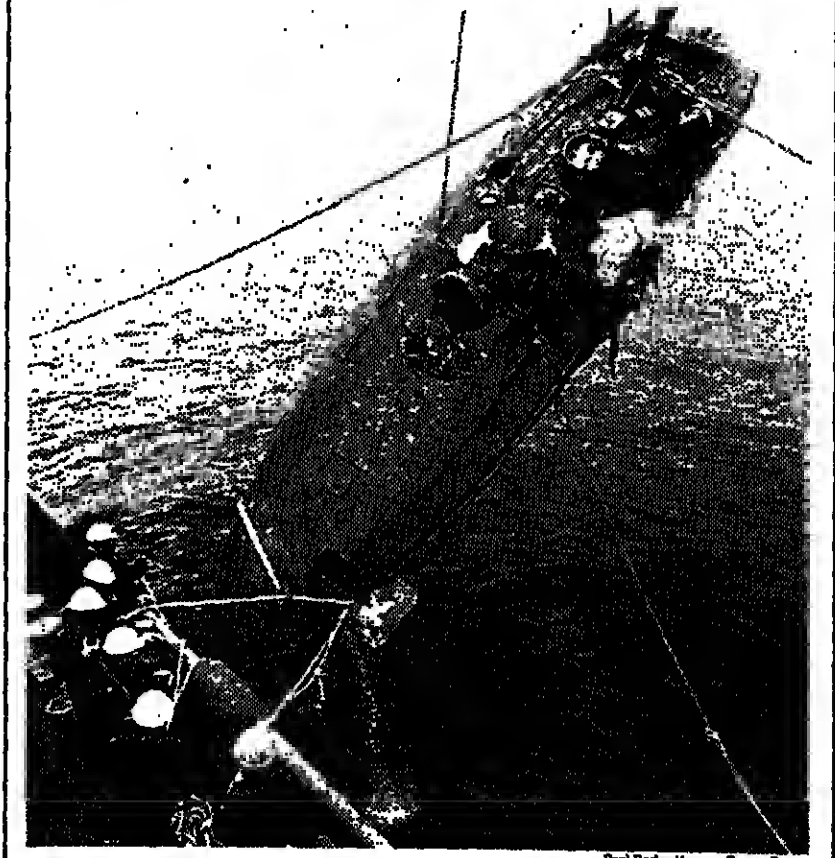
The South Korean news agency Yonhap quoted a Foreign Ministry official as having said that debate over that detail was "the last stumbling block to the agreement." South Korean officials were confident that Washington, in return for the right to look at the underground site at Kumchangri, would provide more than 500,000 tons of food aid, the amount supplied by the United States last year through the World Food Program.

South Koreans saw that channel as a convenient way for the United States to live up to its refusal to tie inspection of the site to any specific amount, whether in money or aid. U.S. negotiators initially spurned a North Korean demand for \$300 million for one inspection of the site, discovered by satellite photographs last year, and James Rubin, a State Department spokesman, said Tuesday the United States had reaffirmed "our decisions on humanitarian assistance are based on need."

Still, officials saw a specific U.S. pledge for a program conducted by non-governmental organizations to work on improving potato production in the North as a major concession.

Mr. Hong said that he hoped that "normalization of relations between Japan and North Korea would take place soon."

Coordination of a joint policy toward North Korea is likely to dominate talks here Saturday between President Kim and Prime Minister Keizo Obuchi of



WRECKAGE RETRIEVAL — A South Korean navy crew raising a semisubmersible vessel in the seas south of Jinhae, South Korea on Wednesday. The North Korean vessel was sunk by the South in December.

Japan. Mr. Kim hopes to persuade Mr. Obuchi to offer full support for a policy of reconciliation with the North despite Japanese outrage over the firing of a three-stage Taepo Dong-1 missile from North Korea over Japan on Aug. 31.

South Korean officials said they hoped that another round of talks be-

SCANDAL: 6 Olympic Officials Expelled

Continued from Page 1

down to 104. Its leadership remains intact, however, and on the first day of this emergency session, the members made it clear they wanted Mr. Samaranch to continue as their president in a vote of confidence that Mr. Samaranch won by a vote of 86 to 2, with one abstention.

In his speech before the vote of confidence, which was conducted by secret ballot, Mr. Samaranch said he intended to stay in his position until his fourth term expires in 2001.

"We had to remove all the doubt, and now there is no more doubt," said Jacques Rogge of Belgium, an IOC executive board member. "Mr. Samaranch has been totally confirmed."

Mr. Samaranch opened the session, which was conducted behind closed doors, with a speech in which he told the members that "there has been no crisis of this magnitude faced by the IOC and the Olympic movement." He then accepted responsibility for the "development of this crisis" and sketched out proposals for reform, which include the creation of an ethics commission and the adoption of a new selection process for the 2004 Summer Olympics.

Mr. Samaranch also proposed the creation of a commission with a broad mandate to examine the IOC in depth and make recommendations on everything from changes in the selection process for IOC members to the way the Olympics should evolve in the next millennium to the distribution of revenue within the Olympic movement.

The group would be composed of between 20 and 24 people, half of them IOC members and half of them "leading personalities who know and understand sport." Mr. Pund later said that if the IOC membership approved the creation of the commission, which would be called IOC 2000, it would hope to have a preliminary report in time for the next IOC meeting in Seoul in June and a final report in time for another extraordinary session that is expected to be called before the end of the year.

"We're starting to deliver on what we said from the beginning of this crisis: that we will put our own house in order," Mr. Pund said.

The question is whether the renovated house will be orderly enough to discourage further action by critics.

Next month in Washington, the Senate Commerce Committee holds hearings on the Olympic scandal. Senator John McCain, the Arizona Republican who is chairman of the committee, said in a letter this week to the senior Olympic official in the United States that "the demand for Congress to act will be irrepressible" unless the IOC adopts reforms.

Tensions Run High

On the eve of the meeting, three of the figures at the center of the corruption investigation were involved in a bizarre scene at the committee's headquarters. The Associated Press reported.

Kim Un Yong, a powerful executive board member under investigation in the case, struck a martial-arts pose amid a shouting match with the IOC's top administrator Tuesday, witnesses said.

Mr. Kim, a South Korean, and Francois Carrard, the IOC director general who is Swiss, exchanged heated words on a terrace during a break in a board meeting, according to witnesses who spoke on the condition of anonymity.

Mr. Kim also had a confrontation with Mr. Pund. Mr. Kim was given a severe warning in Mr. Pund's report, but Mr. Pund said he could be expelled if evidence surfaced that he knew about a job for his son that was bankrolled by Salt Lake City. At one point, the witnesses said, Mr. Kim, the president of the International Tae Kwon Do Federation, crouched in a tae kwon do stance, sending Mr. Carrard running from the terrace at Chateau de Vidy yelling, "I quit!"

Mr. Pund, a former swimmer from Canada, then stepped toward Mr. Kim saying, "Calm down, calm down," according to the witnesses.

Mr. Carrard confirmed on Wednesday that there had been a "minor incident" involving Mr. Kim. Smiling, he pronounced himself, "physically, very fit."

A 2d Iraqi Flight Breaks UN Ban

Reuters

RIYADH — A second Iraqi plane carrying more than 100 Muslim pilgrims landed Wednesday in the western Saudi city of Jidda in defiance of a UN flight ban.

An airport official said only that the plane had arrived safely. The Iraqi joined a stream of thousands of Muslims who have arrived by air, land and sea for the annual hajj pilgrimage to Mecca.

The Russian-built Ilyushin-76 carried 111 pilgrims. Another Iraqi plane carrying 110 pilgrims, including Iraq's endowment and religious affairs minister, Abdul Munim Ahmed Saleh, arrived in the kingdom Tuesday. They broke the ban on flights imposed on Iraq after its 1990 invasion.

Some 2 million pilgrims are expected in Saudi Arabia for this year's hajj, a pillar of the Islamic religion. About 18,000 people gathered on Iraq's border with Saudi Arabia on Wednesday to make the journey across the desert to Mecca.

A Ministry of Culture and Information official said Baghdad had asked the United Nations committee policing international sanctions on Iraq to allow it to draw \$2,000 per pilgrim from revenues of its so-called oil-for-food program with the United Nations.

"But the sanctions committee has instead followed a policy of procrastination and delayed the legitimate Iraqi demand," the official said.

The UN committee abandoned efforts on Tuesday to work out a plan to enable up to 22,000 Iraqi pilgrims to make the annual pilgrimage to Mecca without breaching the sanctions.

CHINA: Opposition to Dam

Continued from Page 1

Xinhua reported Wednesday that the project was "facing certain difficulties in financing." It is \$3 billion short of the \$9.7 billion needed for the second phase of the construction, set to be completed in 2003.

To meet the shortfall, officials are seeking loans from Chinese banks and are planning domestic bond issues, the report said. They also hope to raise \$600 million in unspecified stock offers.

The government estimates the total cost of the dam will reach \$24.5 billion by the time it is finished in 2010.

Two articles appeared in the People's Daily on the same day last month identifying other problems with the project. The first report quoted officials from the Chongqing resettlement bureau as saying that a "land shortage problem has emerged." Local areas do not have the capacity to accept the farmers being moved from the dam's flood plain, the article said, and efforts to find land elsewhere have not yet begun.

The other story said dam officials had massively underestimated the number of cultural relic sites endangered by the project. Originally, about 100 archaeological sites were identified, and \$35 million was budgeted for their removal. But by 1996, 1,283 relic sites had been confirmed, and scholars said they needed \$234 million to excavate them.

The idea to dam the Yangtze stretches back to the early 20th century and the first president of China, Sun Yat-sen. In the 1930s, American engineers, when massive public works projects were the rage in the United States, advised China on its potential. After the Communist revolution, the dam became an obsession of some Chinese engineers, imbued with the Communist belief in the ability of man to harness nature.

Mr. Li firmly backed the Three Gorges in the early 1990s, partially as a way, his critics claim, to leave behind some legacy other than his reputation as one of the main architects of the crack-down on the Tiananmen Square pro-democracy protesters in 1989.

The project is full of superlatives. It will have one of the highest ship elevators in the world, 113 meters from top to bottom. It will have one of the biggest reservoirs in the world, spanning more than 650 kilometers. When it is finished, the dam is supposed to generate 18,200 megawatts of electricity, the most produced by any dam. It will span more than 2,000 meters from bank to bank of the Yangtze, and will rise more than 180 meters above the current river bottom. But the dam will also force at least 1.8 million people to leave their homes.

EUROPE: Fraud Crisis Divides Continent Between Quick-Fixers and Radical Reformers

Continued from Page 1

Europe about corruption widely thought to have been festering in the strongly centralized Brussels bureaucracy. Even though it exposed a tip, not an iceberg, the investigators' report punctured what one official called a code of silence to outsiders, that he said, has enabled EU officials to intimidate whistle-blowers, reject calls for transparency and add layers of bureaucratic secrecy.

Finally what seems to have empowered the European Parliament — long derided as institutional window-dressing — is the growing awareness of people across Europe of the EU's growing power in their daily lives.

The need for greater transparency has

long had rhetorical advocates in the EU. This position often clashes with the fact that Europe's promise is seen at varying angles by member countries.

The crisis this week drove up the fever chart in northern European countries much more sharply than in their partner nations along the Mediterranean. Northern nations, mostly donors, expressed shock about the lax supervision in the spending of their funds. But beneficiary countries, whose economies are suffused with European largesse, were noticeably less exercised about better auditing.

The political inertia that often dilutes Europe's response to a crisis seemed to be foreshadowed in other discordant reactions. Reform calls, trumpeted by the media, aroused only a muted echo

among politicians, trade unions and party officials, who know from experience how hard it is to get a consensus on action among member states.

For those with this mindset, a radical change in political habits is a utopian illusion, and the maximum possible is a quick institutional fix. EU governments, technically not guilty in the commission scandal, do not want the debate to extend to their responsibility for abdicating to Brussels on crucial points in European integration, as a way of limiting accountability and side-stepping democratic debate.

Now change, albeit hesitant, seems certain. Elections for the European Parliament election occur in a few weeks' time, by coincidence, and the scandal

could galvanize the lusterless campaign. Already, the Parliament's unexpected assertion of authority fits a historical pattern of democracy's emergence.

Inevitably, the commission's powers will contract, and more initiative will shift to member states' elected heads. This quest for democratic legitimacy seems bound to gain strength as traditional national sovereignty passes to European institutions. The paths this change will take are not self-evident, as demonstrated by the uncertainty and political turbulence surrounding the European Central Bank, set up to manage the single currency.

Similarly, Mr. Blair noted last week in talking of EU defense reform that there would be "no role for the commission."

Tech QUARTERLY

The MACRO View

Coming-of-Age In Cyberspace

By Phil Agre

SOMETIME in the fourth quarter of 1998, cyber hype went out of fashion. The Internet, once excitingly strange and new, has become an everyday tool.

A repertoire of fights — privacy, equity, censorship, intellectual property — has become familiar if not necessarily resolved. Whole generations of visionary business plans have failed. And the Internet stock bubble has become genuinely dangerous. It's time to stop and assess. What exactly happened during the cultural frenzy of the last five years? And what happens next?

The growth of the Internet has been similar to the adoption of many other technologies, such as radio and the telephone. In each case, the long, slow work of researchers and hobbyists reached the mainstream once the necessary infrastructure became available and manufacturing achieved economies of scale.

Once such a technology achieves a critical mass of users, it quickly becomes more attractive to everyone else. Thus the recurring episodes of explosive growth.

Yet despite their regularity, all of these historical episodes feel radically novel to the people who live through them. Every important technology creates an imaginative vacuum. A society can pour its profoundest hopes and fears into the millennialist excitement of that vacuum, and the technology will make them all seem new.

The Internet's millennium is cyberspace: a promised land of digital information that transcends the physical world and brings peace, prosperity, and freedom. But reality, we are learning, is more complicated than the simple promises of cyberspace.

The Internet is an ideal medium for a global civil society, but it also makes the public sphere easier to monitor and regulate. The Internet supports the construction of efficient new market mechanisms, but it also amplifies the economies of scale that lead to industrial concentration. The Internet enables concerned citizens to mobilize for privacy protection, but it also facilitates the traffic in personal information.

Furthermore, many of the received truths of cyberspace have turned out to be wrong.

For example, the digital realm was supposed to transform our lives into a disembodied "virtual reality." But,

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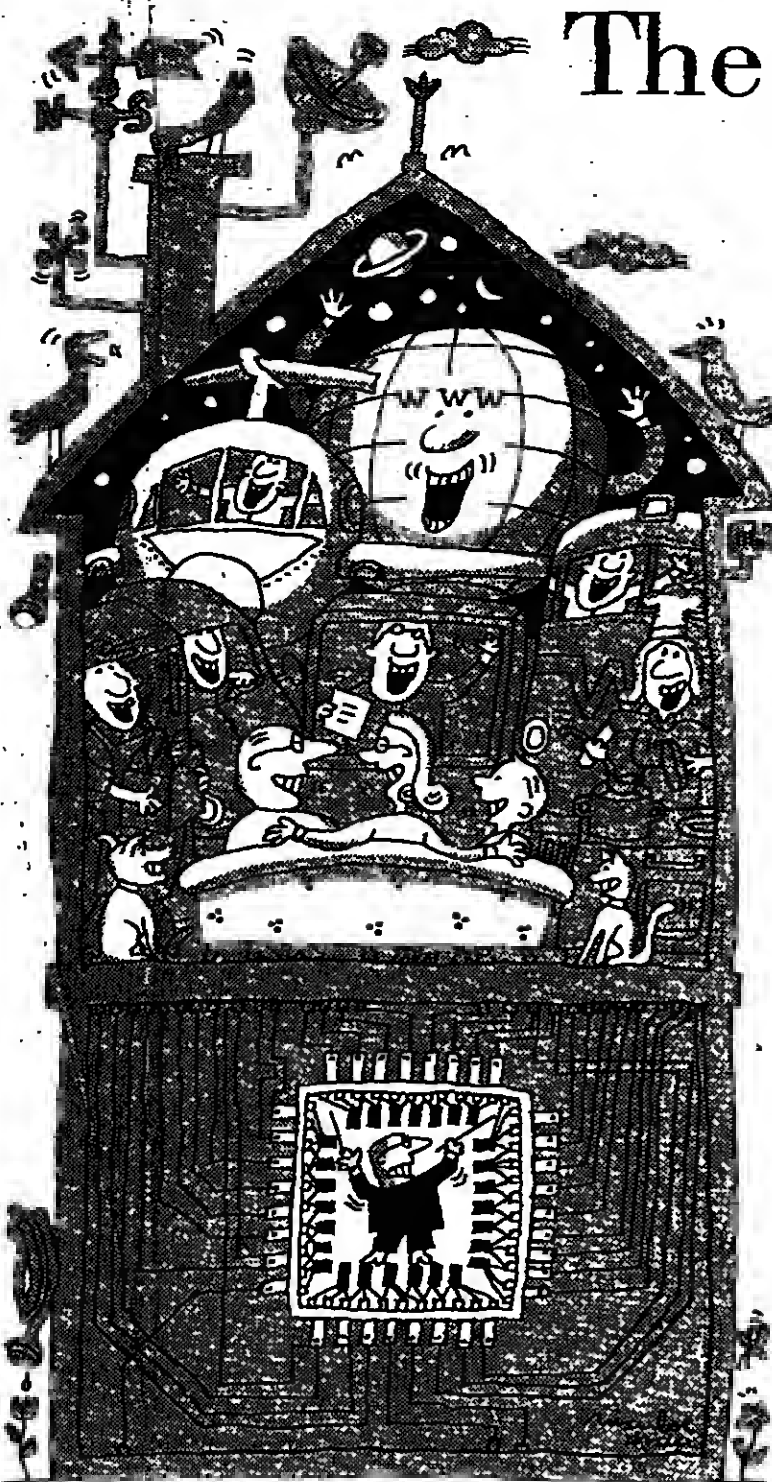


Illustration: Andrew Ditt

The PC: At a Crossroads

Where Should Future Computing Be Done?

By Mitchell Martin

NEW YORK — Your next home computer — or the one after that — might be a box in your basement that acts as a 24-hour valet, anticipating your needs and desires and working with other machines around the world to fulfill them.

This view emerged as a likely outcome when leading hardware and software makers were asked what a personal computer would look like five years from now.

In general, most companies talked their own games, predicting changes that would be beneficial to their current products. Still, they make the goods and provide the services, so what they will be offering in the coming years is what you will be able to buy.

The idea of a home server, as the basement box could be called, was championed by Sun Microsystems Inc., which not coincidentally makes servers as well as the Java programming language and the new Jini networking technology that provides a way for computers to find other kinds of appliances via the Internet.

But the concept was supported by other companies. At International Business Machines Corp., which is active in a broad range of computer sectors, "our view is really that the PC itself is going to continue to run the kind of personal productivity you see today, but it is also going to be the control point for other devices," said Phil Hester, chief technology officer of the company's personal systems group. "The challenge for individuals is to bind all this

information and present it to them in a way that is a lot more user-friendly."

One way it could be friendlier is if you did not have to spend all your time in front of the computer. "Think of something as mundane as an alarm clock," Mr. Hester said. "The technology inside has changed a lot in the last 100 years, but you still go to bed, set the alarm, and unless somebody sneaks in and changes it or the power fails, it's going to go off in the morning."

Which is fine as far as it goes, but what if you are flying somewhere the next day? "A lot of things could happen: traffic, bad weather, flight delays. Why should you find that out at 5 A.M. when your PC could find it out for you and reset your alarm clock?"

What that would require is a device that is always on and that can independently interface with other computers that would tell it what the weather and traffic were like and whether the plane was delayed on its trip in time.

Whether that device is a PC at all or just an alarm clock that can talk to the Internet is a matter of debate. The question is where the computing gets done, and the answer has profound ramifications for companies that make computers, write programs and offer Web-based services.

Oracle Corp., which specializes in database programs that are widely used in big companies and for many Internet applications, has taken the most radical stand among the big companies.

In August 1995, its chairman, Lawrence Ellison, presented the idea of the network computer, which

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INSIDE

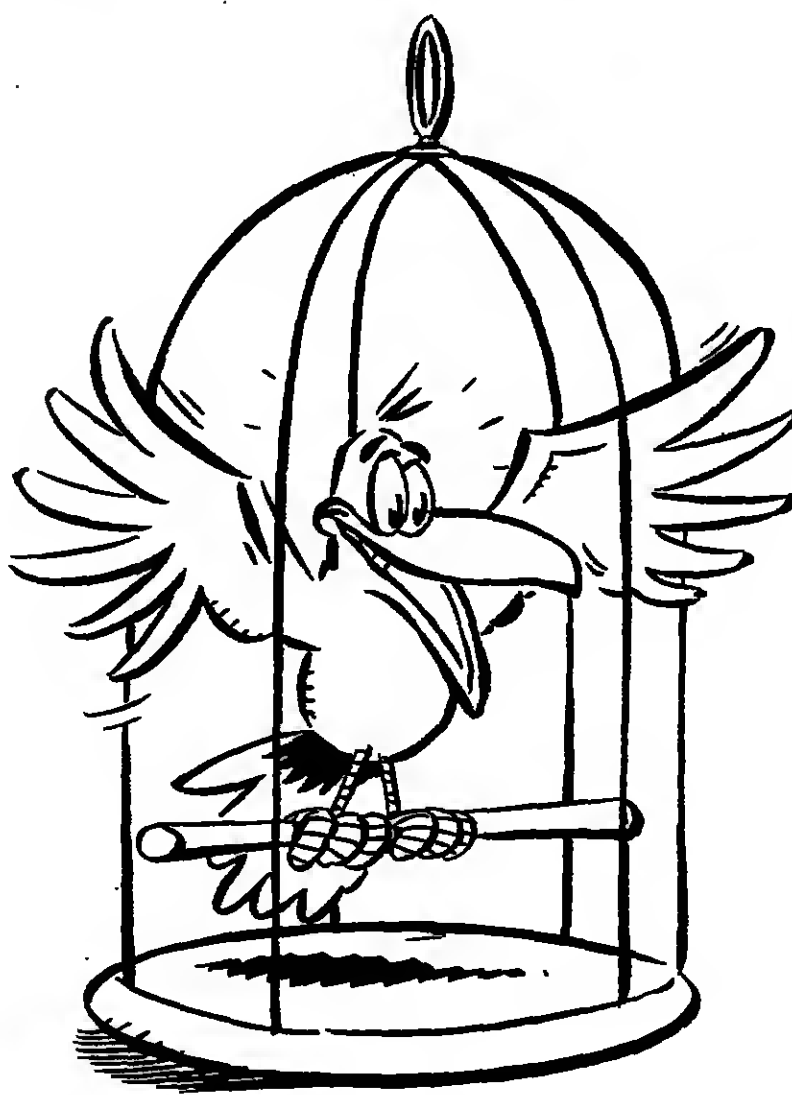


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Mobile phone roaming far and wide gets easier every year but not cheaper. **Page 10.**

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Sun Microsystems hopes to get all electronic devices talking to each other. **Page 13.**
An Intel executive discusses investment plans. **Page 14.**



China is transforming from a traditional economy to a modern economy. **Page 15.**
Taiwan aims to move into the top niche of the world's technology food chain. **Page 15.**



IN GLOBAL COMMUNICATIONS, STANDARDIZED SOLUTIONS DON'T FLY.

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Can 160-Year-Old Invention Transform Motor Vehicles?

By Brad Spurgeon

PARIS — Over the last five years, the search for a clean, efficient alternative to the internal combustion engine has moved out of the scientific laboratory and toward commercial reality. Oddly, the technology most likely to revolutionize the family car is a 160-year-old electrochemical invention called a fuel cell.

"It has taken over a century to commercialize the technology simply because we're getting better all the time at things electrochemical," said Robert Rose, executive director of Fuel Cells 2000, a private nonprofit advocacy group in Washington. "You might argue we're approaching the electrochemical age. It's almost like a choir out there now where CEOs of major automobile and oil companies are saying, 'The era when we burned fuel for energy is coming in an end.'"

A fuel cell is a portable electricity-generating power plant similar to a battery, but that does not require recharging. As long as it receives its fuel — hydrogen — it produces electricity through a process that does not require burning, and so produces no dirty emissions. In fact, the only emission is water.

It was partly a growing public concern for the environment that spurred this movement to do away with the rodder city's greatest pollution scourge: the internal combustion engine. The more than 700 million global motor vehicle fleet emits hydrocarbons, nitrogen oxides, lead particles and is generally responsible for more than 90 percent of the carbon monoxide emissions in the world's cities. But it was when the government of California passed legislation in 1990 (and confirmed last year) that by 2003, 10 percent of new cars must be zero-emission vehicles, that big business suddenly took notice.

While many automobile companies already offer electric cars, they have a low range, low speed and acceleration and their heavy batteries take ages to recharge.

The fuel cell car — which is an electric car with a generator on board instead of a battery — seems to provide the answer, said Marcus Nordin, managing director of World Fuel Cell Council, a Frankfurt-based association of fuel cell makers and users. "But it was specifically the presentation by Daimler-Benz of the NECAR 2 in Berlin in 1996 that shook the automotive world," he said.

The NECAR 2 (New Electric Car) was a multipurpose vehicle with a fuel cell powered by pure hydrogen, and that did not sacrifice any passenger space. Daimler had already started shaking things up in 1994 with the NECAR 1. While other auto companies were testing fuel cells in laboratories, Daimler put a fuel cell in a van and drove it around for thousands of kilometers. (The drawback was that the cell took up the van's entire utility space.)

Daimler bought the cells from Ballard Power Systems Inc., a small Canadian company that in 1993 had powered a 20-passenger bus with a fuel cell. Ballard proved it could create sufficient power density to fit a fuel cell into a car.

But the race really began in the spring of 1997 when Daimler formed an alliance with Ballard — later joined by Ford Motor Co. and Royal/Dutch Shell Group — and announced a production of 40,000 fuel cell cars per year by 2004, and 100,000 by 2005. Their current investment is estimated at \$725 million.

"That changed the fuel cell debate from one about development to one about commercialization," Mr. Rose said.

Subsequently, nearly all the leading car manufacturers announced similar plans to produce, by 2003 to 2005, fuel cell cars as part of the world's 55 million new cars made annually. General Motors, Chrysler (which later merged with



Mercedes-Benz's NECAR 3, which was unveiled in 1997 and operates on a fuel cell, could be an alternative to the internal combustion engine.

Daimler), Ford, Toyota, Nissan, Renault, Peugeot/Citroen, Volkswagen/Volvo, Mazda and Honda have all announced such plans.

This so-called revolutionary technology was created in 1839 by Sir William Grove, a Welsh judge and gentleman

The era when we burned fuel for energy is coming to an end.

meanwhile, have gone out of the fuel cell and through an external circuit — along a wire — where they power the car's engine.

The first practical application of fuel cells was made in the 1960s during the Gemini space program, when they were used in favor of nuclear or solar power. They are still used in space not only for power, but also for making the astronaut's drinking water.

Commercial use was prohibited by the high cost of the materials until breakthroughs in cheaper platinum catalyst production in the early 1990s. Small companies like Ballard formed to find commercial applications. (The next edition of Fuel Cells 2000's directory, which comes out next month, will list over 700 such companies, more than double the number last year.)

"We're in this to build a business and not necessarily to win Nobel prizes," said Firoz Rasul, Ballard's president and chief executive. "We're not interested in playing in a technology sandbox."

But high cost is still one of the key

issues. Most fuel cells are handmade and cost \$500 to \$5,000 per kilowatt (kW) of power, compared to \$20 to \$50 per kW for the internal combustion engine.

To reduce cost, Mr. Rasul said that Ballard is searching for ways to eliminate parts and find cheaper materials, without sacrificing performance. It must then develop the manufacturing process to make the cells "to extremely high volumes to meet the cost target set out by the automotive industry," he said, which is between \$50 and \$60 per kW by 2004.

According to Nicholas Abson, a former television science program producer who founded an Anglo-Belgian fuel cell company called Zevco in 1994, the key to reducing cost lies in choosing the right kind of fuel cell.

THE ONES used in the space program were not acid-based, like Ballard's, but alkaline. Zevco has put alkaline cells into London's black taxi cabs, creating a cab that costs only £2,500 (\$4,000) more to buy (£29,500 instead of £27,000), but with daily operating costs up to 50 percent lower. Mr. Abson said alkaline cells may be made more cheaply and in smaller numbers.

"Materials is the issue," Mr. Abson said. "We use plastic, we don't use silicon. We use a liquid, we don't use an expensive membrane. We use cobalt and silver, we don't use platinum."

Much research and development remains to be done, however. Ballard, in testing buses in Chicago, ran into cooling problems last summer (that it says are now resolved). Carbon dioxide turns an alkaline cell's electrolyte into acid, calling for a bulky onboard oxygen cleaner. And when gasoline is used as a fuel, it can poison a fuel cell, if not properly cleaned.

What fuel to extract the hydrogen from is the biggest problem. A generally favorable study on fuel cell cars by the State of California Air Resources Board

completed in July concluded that pure hydrogen is not a feasible fuel for private automobiles now or in the foreseeable future.

The study says that methanol or gasoline are better, since they do not require bulky high-tech tanks, and may be distributed through the gas station network. But such fuels are used only for their hydrogen, and the onboard process of extracting it also creates toxic emissions — though about 90 percent less than for the internal combustion engine.

"If you solve all the R&D issues and the cost," said Steven Chalk, who is responsible for fuel cell research at the U.S. Department of Energy, "you still have to get the fuel out there."

Most experts agree that the challenges offered by the race to create a fuel cell will ultimately spur the development of the technology in other applications.

"If you get even close to succeeding in the car market," Mr. Rose said, "you will be able to succeed spectacularly in other markets. If you can make a 100 kW generator that will fit under the hood of a car, you can also have a 100 kW generator that will be a spectacularly successful product for other markets."

Fuel cells may eventually be used in such applications as laptop computers or cell phones, or even to power an office building or home. As Mr. Nordin pointed out, one's country cottage could eventually be powered by the fuel cell in the family car.

Both Mr. Rasul and Mr. Abson consider the fuel cell to be as revolutionary and transforming a technology as the microprocessor.

"I want to make \$15 a kW fuel cell," Mr. Abson said. "Because at that point you can go into a Masai village and say, 'Here's energy.' You can revolutionize the world. Energy is what separates the rich from the poor."

BRAD SPURGEON is on the staff of the International Herald Tribune.

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Mobile Phone Roaming: Easier but Not Cheaper

By Eoin Licken

PARIS — When digital mobile phone networks were first introduced in the early 1990s, one of the most exciting aspects of the new technology was the ability to roam, to make and receive calls using the same phone in different countries.

Roaming far and wide gets easier every year. There are more than 135 million users of the most popular digital mobile network type, GSM (Global System for Mobile Communications), with networks in 129 countries. But while roaming may be easy, it is not cheap.

The first decade of mobile roaming has been characterized by operators adding up to 50 percent onto the cost of roaming calls, while in some instances value-added tax has had to be paid twice on the same call, meaning calls made while roaming may cost up to 70 percent more than calls made on the same phone at home.

Meanwhile, roaming is becoming more and more popular. A study of nearly 300 roaming users last year by the London-based consultancy Philips Tariffa found that convenience, ease of use and security rated higher than cost when companies were choosing their communications methods while abroad.

Before analyzing the components of roaming costs, it is important to realize that there are two categories of roaming charges when a mobile phone is used outside its home network. The first is a charge for receiving calls. Normally within Europe, the person calling a GSM number pays for the call, unlike in the United States and parts of Asia where the mobile user generally pays a portion of the cost of calls received. But if the mobile is roaming — using another network — the mobile user pays the bulk of the call charge: the cost of transferring the call from the home network to the visited network. This is to ensure that callers only pay the usual rate for a call to a local mobile.

But what if the person who makes the call is also abroad, perhaps in the same country as the person being called? In this case, both end up paying for international calls. Imagine, for example, that a French mobile phone user travels to Rome. If a colleague in Rome calls her, he pays for a call to France, while she pays to transfer the call from France back to Rome. They might be next door to each other, but the operators are charging for two international calls.

The second additional roaming cost applies when making calls. Besides paying the appropriate call rate determined by the visited network, that network's operator will add a roaming markup per call, known as a visiting public land mobile network (VPLMN) charge. This is billed via the home network, which may also charge the user an additional roaming markup per call, known as a home public land mobile network (HPLMN) charge.

The GSM operators' body, called the GSM Association, has a gentlemen's agreement that visiting network charges are limited to 15 percent, while home network charges are left up to operators. However, some operators, for example in China, charge 50 percent visiting network and zero home network markups, while British operators Cellnet, Vodafone and One 2 One charge 35 percent home network and 15 percent visiting network.

Shall wonder then that recent Vodafone results showed roaming calls contributed 25

percent of the outgoing airtime and access revenues. Adding insult to injury, if the home network and visited network are in countries between which value-added tax is not recoverable, then users are likely to pay tax in both the countries for the same roaming call. This does not apply, for example, when roaming between EU countries.

Thus, with most countries' value-added tax rates around 20 percent, users making roaming calls may pay 15 percent to 70 percent extra per call.

An end to this complex series of charges is in sight. The network operators say they are changing the way roaming calls are charged, meaning users will better understand the charges involved, and prices may fall. The 323 operators who are members of the GSM Association have agreed to de-bunk roaming charges from local tariffs couple roaming charges from local tariffs charged by visited networks. Instead, a system of network operators charging each other wholesale rates for roaming calls will apply, known as an inter-operator tariff (IOT) scheme. This is due to be introduced by the end of April.

By charging each other at wholesale rates, operators may be able to benefit from bulk discounts, while roaming call charges will be independent of non-roaming calls in visited networks.

Pietro Cotino, who chairs the GSM Association's billing and accounting rapporteur group, said the IOT scheme will simplify the charges for international roaming. Though careful not to promise price reductions, he nevertheless said operators would be free to charge what they like, and home operators may decide to offer new roaming tariff plans. "More innovation is expected," he forecast, citing possible examples such as cheaper roaming charges for high users, or a single charge for all roaming calls within Europe.

But industry watchers are skeptical. Julian Herbert, research manager at English mobile research firm EMC, said the IOT plan was first announced in September 1997, but "little has been heard from individual operators about progress since the GSM Association's Warsaw plenary in April 1998." The lack of any prominent IOT announcements from operators fuels suspicions that the new plan will not lead to price reductions.

Whatever the prospects of simpler roaming charges, there is no immediate prospect of smarter call routing to avoid sending all calls via the home network. One solution, called optimal routing, is being evaluated by operators. In the example given above, this would allow the telephone switch in Rome to realize that the called mobile was also in Rome, and hence it wouldn't route the call via France.

But Mr. Cotino said operators were not convinced that the required investment would be justified given that international call rates were falling.

The presence of a business case is a big if. At last month's GSM World Congress in Cannes, industry representatives who preferred not to be named felt the technology already existed to implement optimal routing, but said the operators were slow to install technology that would reduce their revenues.

So, while roaming continues to get easier, with more networks to choose from, the prospects for it getting cheaper are not too bright, in the short term at least.

EIOIN LICKEN is a free-lance journalist based in Paris.

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Europeans Focus on Local Content to Spur Internet Growth

By Tom Buerkle

LONDON — One of the biggest challenges to the growth of the Internet in Europe can be summed up in a few words. Words like Yahoo!, AOL or Amazon.com.

The most popular sites on the Internet are predominantly American, providing information, entertainment and merchandise geared to the tastes of consumers in Peoria, not Paris. About 80 percent of the Web pages viewed by Europeans actually originate in the United States.

Increasingly, however, European media companies, retailers and Internet service providers are teaming up in a bid to provide the kind of local content that U.S. Web surfers take for granted.

"Without local content, there won't be the rapid growth in demand," said Richard Spinks, business development director of Lycos-Bertelsmann. "When someone talks in you about, not a Ford Focus but a 4-liter Ford Mustang, you kind of lose interest — you can't buy it." Lycos-Bertelsmann, a joint venture between the U.S.-based Internet portal site Lycos Inc. and the German media group, has put a top priority on developing local information sources — business directories, travel services, news, weather and sports — in each of the 17 European countries where it operates.

"We're a European company with European local offices and local content," Mr. Spinks said. "Everything must be in the local language."

The company regards local content as vital for building traffic and revenue, and it claims to conduct 10 times as much

e-commerce as its nearest competitor in Europe. But executives at Lycos-Bertelsmann say they believe the venture has only scratched the surface. Lycos surveyed nine U.S. e-commerce companies, including firms such as CDNow Inc., and found that roughly one-third of their on-line sales were placed by overseas customers. Lycos-Bertelsmann gets about half of its content from local partners, ranging from established names such as France Telecom or Thomson Directories in Britain, who supply telephone directory information, to a group of British rugby enthusiasts who have set up rugby.com. Managing directors in the individual countries have a lot of leeway in tailor content in their countries — rugby may be popular in Britain and France, but in Sweden hockey is king.

"What is key is to be a Spanish Web site in Spain, a Dutch one in the Netherlands and an Italian one in Italy," said Jean-Pierre Guenin, international business development manager at Voila, the portal site and search engine owned by France Telecom. Voila has driven Internet use in France by developing the world's biggest French-language data base, containing six million sites. The company claims that Voila.net is accessed by nearly half of French Internet users, and the popularity of the site helped France Telecom quadruple the number of paying subscribers to its Wanadoo Internet service to about 500,000 last year.

Now, using a strategy similar to Lycos-Bertelsmann's, Voila is reaching out to establish local language sites with

content providers in the Netherlands, Denmark, Portugal, Spain and Italy. Users "will find that it's fun to go to sites globally," Mr. Guenin said, "but for practical purposes, it's basically local information they are looking for." There is a lot of potential in those markets, but Voila has plenty of catch-up to do to develop them.

What is key is to be a Spanish Web site in Spain, a Dutch one in the Netherlands and an Italian one in Italy.

About 10 percent of homes in northern Europe, including Scandinavia, Britain, the Netherlands, Germany and Switzerland, had Internet access at the end of 1998, according to the consulting firm Yankee Group Europe — half the penetration rate of the United States. In southern Europe, however, only about 4.5 percent of homes were connected to the Web.

Content, or the lack of it, has been a major factor inhibiting the growth of Internet usage, said Andy Greenman, a senior analyst at Yankee Group.

"Scandinavia has been the quickest to adopt, and Scandinavia also speaks English," Mr. Greenman said. In much of southern Europe, however, "there's just a lack of compelling content, and there's also the language barrier."

Another move to foster European content was announced last month by Inktomi Corp., the U.S.-based maker of search facilities and traffic servers. Inktomi struck a deal with British Telecommunications PLC to provide one of the largest European-based search facilities. It will contain about 40 million pages of European-based information. That compares with 110 million pages, or roughly one-third of all the content on

the World Wide Web, that Inktomi stores in its four search facilities in the United States.

By bringing local information closer to consumers and making it easier to find, the search facility should help create a virtuous cycle where content drives Internet usage and usage encourages the development of more content, said Paul Gaudin, Inktomi's chief technology officer. "There's a disincentive for people to publish content if nobody can find it," Mr. Gaudin said.

For all the efforts to develop local content in Europe, there are some indications that American material may be strengthening its grip on the Internet.

Mirror Image Internet Inc., a Massachusetts company that sells caches to store Internet material close to consumers, has experienced a surge in traffic since setting up caches in London and Frankfurt last year.

Surprisingly, the percentage of U.S.-sourced content flowing through the European caches has increased to about 85 percent of total traffic, said Martin Alsen, the company's vice president for marketing. Although European content is growing rapidly, U.S. material is growing faster and faster, involving more and more bits of data as sites become more sophisticated and incorporate more video and audio, he said. This trend may continue as big U.S. media companies seek to dominate the Web, he said.

"When it comes to the richness of content, it's going to be stamped Hollywood," Mr. Alsen said.

TOM BUECKLE is on the staff of the International Herald Tribune.

'Silicon Valleys' Take Root in Europe

By Sharon Reier

PARIS — Call them high-tech clusters. Call them centers for innovation. Draw a curve linking Scotland's "Silicon Glen" between Edinburgh and Glasgow, down through Cambridge, across the Channel to Belgium's Leuven area, to the Amsterdam-Rotterdam complex, then on to Lyon, then to Silicon Bavaria, with its "Medical Valley," back around to Grenoble, then toward Nice and on to Milan. Continue south to Bari and hook around through the Mediterranean to Barcelona — and it forms a configuration something like a crosshair.

These are the concentrations of information technology, communications, media and hiotech companies that Europeans showcase as their versions of Silicon Valley.

But before taking the claims too seriously, one must look at the reality as well as the aspirations.

The Cambridge area has spawned some 1,200 high-tech companies, technical consultancies, venture-capital firms and technical publishers. It is getting a lot of acclaim these days as one of the most successful high-tech centers in Europe.

The area emanating from the Cambridge Science Park now boasts a total of 38,000 jobs directly related to technology. By comparison, Silicon Valley created 52,000 new jobs in 1997 alone.

"They are 10 times the size of us," said Walter Herriot, a former banker and Coopers & Lybrand consultant who now manages the St. John's Innovation Center in Cambridge, an incubator for technology that serves as a support base for local knowledge-based firms.

Luc Soete, director of the Maastricht Economic Research Institute on Innovation at Maastricht University, pointed out that some regions were less vital than their promoters would suggest.

Mr. Soete said there were three elements that prevent Europe from having an area as dynamic as Silicon Valley. First, there is a lack of space. Areas like Paris, he said, have plenty of high-level research, but real estate is too expensive for start-up firms.

Then there is the lack of interaction between universities and the private sector. "The spillover emerges from the universities, but it is less dramatic than the ways Stanford and Berkeley interact with Silicon Valley," he said. What constrains the spillover effect, in Mr. Soete's view, is the third element: the traditional

dominance of research and development spending in some European countries by the largest corporations. For instance, in the Netherlands, he said, research and development is extremely concentrated.

"Fifty percent of the money spent on research and development is generated by Shell, Akzo-Nobel, Unilever, Philips and DSM," he said.

Since the large local companies dominate the direction of research, there is much less spillover to new firms.

The situation in Germany is similar. "You have the domination of few very large firms and technical universities, and an overdominance of research in the universities funded by companies" such as Siemens and BMW, Mr. Soete said.

A survey by the Munich chamber of commerce noted that some 60 percent to 70 percent of electronics companies in the Munich area were in some way related to Siemens.

Still, highly regarded universities and research centers do play an important role in attracting innovative companies to areas in Europe.

STMicroelectronics NV, the semiconductor company formed by the merger of SGS Microelettronica of Italy with the nonmilitary activities of Thomson-CSF of France, has a huge plant and

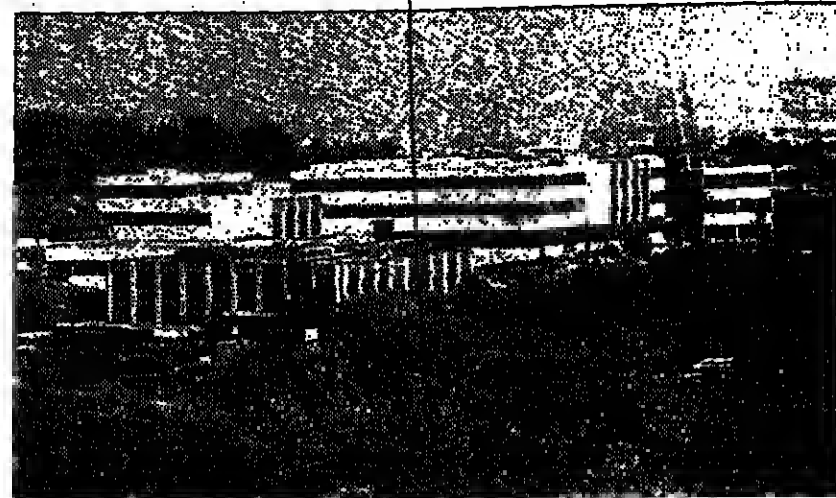
research and design facilities in Crolles, near Grenoble, France, employing about 2,800 people.

"We saw Grenoble had a lot of ingredients," said Joel Monnier, head of research and development. "There were a lot of laboratories like the LETI, run by the French Atomic Energy Commission, and CNET, run by France Telecom, with a lot of competence on advanced physics systems architecture. That is one of the reasons we have been able to grow. We had a common research and development program with LETI and CNET where we did advanced research together."

The University of Grenoble, with some 60,000 students, yields a talent pool of 1,000 new graduate engineers annually, Mr. Monnier said.

Hewlett-Packard, one of the founding firms of Silicon Valley, is another big player in Grenoble.

Roger Wilson, director of public affairs for Hewlett-Packard Europe, said government incentives such as tax breaks were not an important factor in choosing a location. "What we look for is young, bright graduates who are up on the latest technologies," he said. "A good particular professor, course or department at a university that is world-class can gather around it talented people."



Sophia Antipolis near Nice houses more than 1,000 high-tech firms.

That, he added, is what David Packard, co-founder of Hewlett-Packard, found when he checked out the University of Edinburgh in 1960. He also found the requisite space, good quality of life, good communications and a good place to move products from.

Scotland now produces 40 percent of the branded PCs in Europe and 50 percent of Europe's automatic teller machines.

To reinforce Scotland's role in advanced electronics, the government economic development authority Scottish

Enterprise has created the Alth Center, a semiconductor design campus and research institute. The campus will offer a degree in semiconductor design for the four surrounding universities.

Whether the base has public support, as in Scotland, or is a largely spontaneous development like Cambridge, the key to success seems to be access to a reservoir of knowledge and talent.

SHARON REIER is a free-lance journalist based in Paris.

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EU Launches Research Project

By Barry James

B RUSSELS — The European Union is seeking to bring scientific research down to earth and closer to the public with a new four-year research program that gets under way this month. The 14 billion euro (\$15.3 billion) plan, known as the fifth framework program and providing research spending from 1999 to 2002, concentrates on four areas: health and society, the information society, industry and transport, and energy and the environment.

"We are moving from research based on performance for its own sake to research which focuses on the social and economic problems that face society today," said Edith Cresson, the commissioner in charge of research, innovation, training and youth.

A conference to launch the program in Essen, Germany, last month attracted about 5,000 participants from 60 countries, ranging from scientists to representatives of small businesses, hoping to cash in on the research bonanza.

The European Commission, the EU's executive body, has appointed 278 ex-

perts in 17 advisory groups to provide independent advice on the content and direction of research work.

The program seeks to coordinate research across the 15-nation union, without duplicating work in the member countries. It aims to create a critical mass of physical and intellectual resources to give the EU a technological lead in several areas, and to contribute to the creation of high technology jobs.

The fifth framework program is a reaction to the commission's 1997 report on scientific and technological indicators, which noted a re-

lative stagnation of European research and development efforts in relation to the United States.

The commission describes the program as innovative in that it seeks to depart from the traditional organization of research into compartmentalized disciplines, and encourage the application of science and technology to social and economic needs.

A spokesman said the program would be aimed at solving specific problems in a more focused and flexible way than in the past. In the past, he said, the EU had been slow to react to scientific challenges, such as the evidence that "mad cow" disease could be transmitted to humans.

Special effort will be devoted to promoting the participation of small and medium enterprises. More than 12,000 small firms were involved in the 1994-1998 fourth framework program, and the commission is hoping to substantially increase this number.

SINCE the aim of the EU is to encourage research and development that countries cannot carry out on their own, the commission also envisages so-called horizontal programs to promote cooperation across disciplines, incorporate research in nonmember countries, encourage the participation of small and medium companies, help the training and mobility of researchers and seek understanding of trends and structural changes in the economy and society.

Part of the funding is reserved for the EU's own Joint Research Center, which has eight specialized institutes in five countries. The money also will be dedicated to projects that predominantly serve the citizen, protect the environment, ensure nuclear safety and underpin European competitiveness.

The funding is available to any company or research institute in the EU on the basis of proposals evaluated by the independent experts both for their scientific and socioeconomic content. The commission says it will examine proposals from outside the EU on a case-by-case basis.

BARRY JAMES is on the staff of the International Herald Tribune.

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Post-PC Era Dream: Linking Up All Electronic Devices

By John Burgess

WASHINGTON — Racing against a deadline, a group of executives meets in a hotel room to create a contract presentation. Between them, they have the usual toys of on-the-road professional life: laptop computer, a pager, a cell phone. The room has a TV set and fax machine; down the hall is a color printer.

Within a minute or two, everything is working together. A speech typed on the laptop displays on the TV set. The cell phone taps into the Internet and brings in charts from a computer back at the office. When the presentation is done, it prints out down the hall.

Such a feat is entirely fanciful today. Making it commonplace is the vision behind Jini, a technology initiative that the U.S. computer company Sun Microsystems launched earlier this year. With backing from global players that include Sony, Motorola, Ball, Philips, Nokia and Kodak, the program hopes to create a world in which all electronic devices can talk to all others and work with them. Each can draw on the other's power and capabilities, making the network a giant computer.

Personal computers can connect, too, but they are not in charge. They are just devices sharing the network like any other. Showing off the infant Jini in a San Francisco auditorium in January, the

Sun chief operating officer Ed Zander called it "the beginning of the post-PC era."

Technology rarely works as smoothly in the real world as it does in scripted demonstrations. Sun must now prove that Jini can make the transition to real products, which the company promises will appear this year. But to Jean Bozman, a software analyst at International Data Corp., the more significant questions concern market acceptance: "The ultimate success of Jini," she says, "is completely dependent on the rate of adoption by consumer electronics vendors."

In the meantime, the technology already has formidable competition: from Microsoft Corp., which is developing standards that promise some of the same capabilities. These days, the entire electronics industry mounds the rhetoric of networks and communication. But the fact is that most of the world's devices that contain silicon components — whether they are CD players, thermostats, microwave ovens, or TV sets — are stand-alone.

When things do connect, the link generally requires special software, a PC in charge, a common operating system and a skilled human being to set things up.

Jini, in contrast, promises to allow things to connect with no set-up by humans. Devices simply "check in" on the network when they are plugged into it, announce their capabilities and wait for orders. They listen for announce-

ments of what other devices are connected, and use them as the need arises.

That is how the hotel room would be tied together. The laptop wouldn't need special "driver" software to use the hotel's printer. The TV's set-top box, similarly, could automatically tell the laptop how to give it information.

The data would flow variously over wireless links or copper wires. Setting up those conduits is relatively simple. It is like telephoning a foreign country — you can easily open a line, but communicating with the person who doesn't speak your language is no easy task. Jini essentially establishes a common language.

ITS VISIONARIES have no end of scenarios on how the "impromptu networks" it makes possible could change life. Such as: A traveler arrives at the airport in a cab. Instead of paying cash, she gives her personal organizer a command to pay into her account at the cab company. The taxi's meter prints her out a receipt.

When she steps inside, the organizer checks in with a wireless network that exists solely inside the airport. It requests information about whether her plane is on time, and perhaps announces to reservation computers that she has reached the airport.

Likewise, the lights and electric range of her home are controllable from the organizer. Modems, scanners and new hard drives connect

instantly to her family's PC, without elaborate set-up. Data flows to and from the house with similar ease. As it did with the related Java programming technology, Sun is developing Jini as a community effort. Its partners get the "source code," essentially the normally secret formula, and are free to make changes to it, provided they stay within guidelines to ensure overall compatibility.

"There is no central control, no monopolist pulling the strings," said Bill Joy, the Sun technologist who is Jini's driving force. That, of course, is a dig at Microsoft, whose Windows software runs on roughly 90 percent of the world's PCs. Microsoft has an initiative called Universal Plug and Play, an enhancement on technology that has made it simpler to connect printers, hard drives and other devices to Windows PCs.

The stated objectives of this effort are more modest than Jini's. "The main goal is to enable consumer networking to be easier," said Phil Holden, a Microsoft group product manager. People might use the technology to pipe movies around their homes. But it could also find major use in business, he said.

Microsoft is including standard Internet specifications, which it promotes as an advantage over Jini. It also says it will work with no-Windows devices. Plans call for the specifications to go to other companies this spring and the first products to appear by year's end.

Sun, meanwhile, is working to get the first Jini products to market, too, and has some demos. Xerox Corp., for instance, has created a Jini-enabled laser printer. Jini is "a very elegant way to simplify the process of customers building powerful network services," said Mark Hill, a Xerox vice president working with the technology.

Sony, Philips, Thomson and five other consumer electronics companies are working to make Jini compatible with a home entertainment standard they are developing, HomeAudio-Video Interoperability. "In the era of networks," says a Sony spokesman, Mack Araki, "we think that a lot of different technologies need to work together."

Kodak is putting it into digital cameras, while Nokia is looking at it for wireless devices, but has made no decision as to whether to proceed.

Ms. Bozman of International Data sees Sun in the lead at this point: the people at Microsoft have "talked about it more than they've shipped it. Clearly Sun got to market first." But she notes there is no reason why companies have to pick one or the other.

Indeed, many plan to build both technologies into their products and see which ones win over the buyers.

JOHN BURGESS edits technology coverage for the business section of The Washington Post.

PC at a Crossroads: Where Should Computing Be Done?

Continued from Page 9

would hardly be a computer at all: the concept was an inexpensive combination of a monitor, keyboard and microprocessor that would do all the calculations that a computer does to servers. For \$600 you would get a machine without a disk drive or its own programs but was easy to use and available on a moment's notice.

Your data — letters to your parents, your stock portfolio — would reside on somebody else's computer, which would probably be using Oracle databases to keep track of it, but you would not have to worry about losing it to a flood or a thief, and you could access it from any network-enabled computer in the world. This was not much different from the on-line services that arose in the 1980s, such as CompuServe and Prodigy, where most of the computing took place on huge mainframes at the companies' sites.

IT turned out, Mr. Billisoo was right and wrong. Many people are using the Internet to access remote servers that perform computing tasks, at the network computer as present in 1995 has not wrested away the market from personal computers, in part because the latter's prices have dropped precipitously, to below \$1,000. Thin clients, as network computers are sometimes known, have been making advances in the business world, but usually as adjuncts to personal computers. Many executives carry portable organizers that can send and receive e-mail, but they usually type their letters on their PCs.

Oracle is undeterred. "We feel very good because we think Larry has correctly predicted the future," said Mark Jarvis, Oracle's senior vice president for marketing. "He was slightly wrong in a couple of things primarily the speed in which the PC has turned into what we feel is the network computer."

There is a touch of revisionism there; a network computer would not need to have much of an operating system, certainly not one as full of features as Microsoft Corp.'s Windows, which is used in the overwhelming majority of personal computers. Oracle makes no secret of its disdain for Microsoft's approach to computing, which relies on the ubiquity of Windows and a philosophy that individual users want a significant amount of control over their programs and data.

"One thing that Microsoft has missed," said Mr. Jarvis, speaking about the upcoming revision to its top-end operating system, "they focused on building Windows 2000 to be all things to all people. You can build more dedicated appliances

that do one thing very well rather than lots of things in a mediocre way."

Yet Microsoft itself has a project that does not even require a personal computer. Called Universal Plug and Play, Microsoft touts it as an alternative to Sun's Jini with the advantage that it is based on existing Internet protocols. Jini devices must use Sun's Java programming language, Microsoft said.

Although it is compatible with Windows, Universal Plug and Play does not require appliances to run that operating system. The company likened its network to one of "autonomous citizens," where any device can ask any other appliance to do something.

As an example, Microsoft said, a shopper in a supermarket could use a Palm Pilot, an electronic notepad that does not use Windows, to query his refrigerator at home to see what was in it.

Mr. Jarvis said he was willing to bet that products such as an Internet refrigerator that could sense when milk, for example, was running low and order more would be popular, "and I don't think they'll run Windows."

The idea of a smart house in which appliances talk to each other and the world may sound far-fetched, but it should not.

"There are computers in virtually everything now, they just happen to be nonstandard and don't talk to each other," noted Marc Sokol, senior vice president of advanced technologies at Computer Associates Inc., one of the biggest software makers, whose vast array of programs are used by companies around the world. "All we are talking about here is the ability for them to interconnect and to talk."

What is interesting is that Mr. Sokol's view about the future of the personal computer is almost the polar opposite from that of Mr. Jarvis. He said he sees the PC sitting on the desktop for years to come.

"There is no question there is a certain recentralization going on," he said, "but there are a lot of applications and software that are requiring high desktop power. Although you have the one trend of the Internet and thin client, you have the visualization trend, 3-D stuff and the like that tend to require fairly

heavy-duty central processing unit power on the desktop."

One key reason that processing power has to be close to the user is the issue of bandwidth, the capacity of a network to deliver information to a computer.

Even though many telecommunications companies are installing fiber-optic lines, what is known as the last quarter mile — the connection from the nearest switching device to the home — usually contains some copper.

This limits data transmission speeds to about 56,000 bits per second, the speed of the fastest commercially available modems. That is much faster than the rates common a decade ago, when 2,400 baud was the norm, but just barely sufficient for such functions as transmitting telephone-quality audio and far short of what would be required for real-time graphics-intensive uses.

There are two developments under way that are likely to speed up communications, according to Glenn Ricart, chief technology officer at Novell Inc., whose programs link computers into networks. "The rollout of cable modems and ADSL technology has really unjammed the Internet," he said.

Cable modems use existing cable television lines and can theoretically transmit information at 30 megabits per second. The competing asynchronous digital subscriber line technology allows phone companies to use their existing copper wires to send information at about a quarter of that speed, which is still about 125 times faster than a 56 kilobit modem. A one-minute silent video would therefore take about one second by cable modem or four seconds via ADSL, compared with more than eight minutes by a conventional modem.

These technologies are becoming available throughout the industrialized world now, although they add \$60 or more to monthly communications bills. Fast wireless technologies also are available, but they tend to be even more expensive. Michael Cowpland, chief executive of Corel Corp., which makes business software, said that the lower costs in the United States than in other countries for Internet access would allow America to maintain its lead in adopting Internet-based technologies. He predicted devices to access the World Wide

Web would be available for as little as \$300, speeding the penetration of computing into people's homes.

Mr. Ricart of Novell, which has a 15 percent stake in Corel, agreed that the transmission developments would help breed "biodiversity" among computing devices, with desktop machines running in one or two rooms of the average user's house, for "personal productivity" such as typing documents and also for communicating by e-mail and via chat rooms.

Elsewhere, however, a plethora of electronic devices are going to want to discuss your requirements, and they are likely to do so by means of a home server.

One reason is that, even if more bandwidth becomes available, the speed of the Internet can be reduced by the amount of data flowing over it, much in the way a storm drain backs up once water fills the available space.

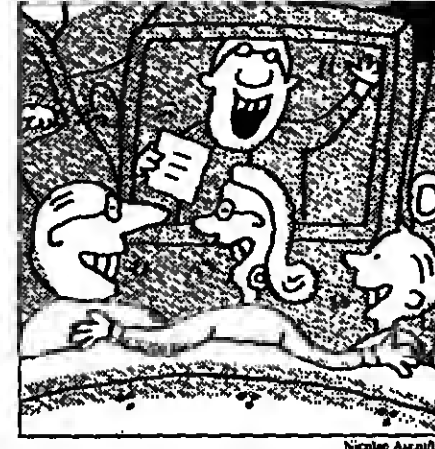
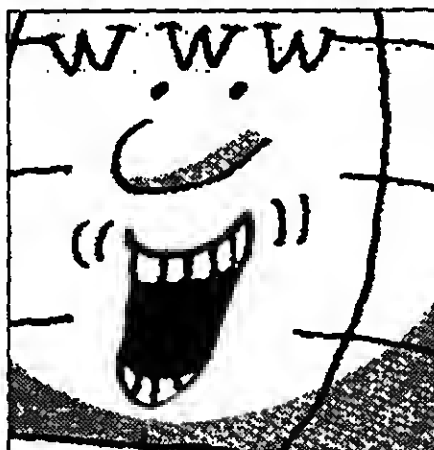
This is where the basement computer comes in. "One of the things that may happen that actually helps to unclog the network is the proxy server or gateway," said Bud Tribble, a vice president in Sun's own consumer unit. This entails "pushing some of the processing back towards users."

Because Internet users often return to pages they have used before, it is efficient to store that data close to them, rather than transmit it each time they access it. Similar technology already exists in browsers, which cache previously visited pages, and it also is used by Internet service providers.

If this architecture takes hold, the ramifications are substantial. With an array of household gadgets accessing servers via the Internet, the companies that control the sites people use likely would have greater influence than PC manufacturers, and there would not be much market for individual programs. Mr. Tribble said that rather than buy a specific program, for say, personal finance, users would be going to a Web site that they could access from anywhere and that could accept information from all of their appliances.

In such a scenario, "the idea of paying for a kind of software," said Mr. Tribble, would go "by the wayside." Indeed, he and some of the other executives said, you might get the box in your basement for free from your phone company or Internet service provider because it would make sense for them to minimize data traffic by keeping your data near you. But that nondescript box would be a commodity item, not the kind of thing for which a hardware maker could ask a premium price.

MITCHELL MARTIN is editor of the International Herald Tribune's Money Report.



Before we put our finest printer together, we considered how it should come apart.

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* Including Australian Conservation Foundation seal (Australia); Eco Logo (Canada); Blue Angel (Germany); Eco Mark (Japan); Energy Star (United States and Japan); Energy 2000 (Switzerland)



Q & A / Stephen Nachtsheim, Intel Vice President

Venture Capital Investments: The Reasons for Global Push

Stephen P. Nachtsheim, an Intel Corp. vice president, helps direct the chip-maker's investments in other technology companies. Intel usually takes small, minority stakes — generally worth less than \$10 million — in private or sometimes public companies. During a recent trip to Paris, Mr. Nachtsheim discussed Intel's plans to expand its venture capital investing outside of the United States this year with Victoria Shannon of the International Herald Tribune.

Q: How are you going to start building your investments in Europe and Asia?

A: The first thing we have to do is staff up, so we have been on a relatively steep hiring ramp since August of last year. You can't just put an ad in the paper and find the kind of investments that we want to make.

When we do deals, the deal team is usually made up of three people, or parts of three people — somebody from our group, which is corporate business development, and then you need somebody from treasury, and you obviously need somebody from legal.

We have, in the last six or seven months, on a worldwide basis, quadrupled our international staff. That's

about as fast as you can go because you have to find them, hire them, train them, put them on the ground, let them get their contacts going, and then you start building up a group that can find, hire and train other people. We've been doing the same thing in Asia — the same hiring and staffing.

Q: Why the push into Europe and Asia now?

A: Intel has really expanded its efforts in business development in the last two years. Four years ago, we'd do three or four deals a year. Three years ago, maybe it was 30 or 40. Last year, we did about 130. So why now? There's probably three reasons for it. Reason No. 1 is we've built it into a fairly effective organization so it has the bandwidth, processes, expertise, et cetera, to go out and work on an international basis. And I think the second reason is the market is very ripe for it.

I think the third reason is there are a few of us at Intel that try and not be quite the inward-focused, U.S., California company that one sometimes finds. Intel has tried to be a very international company.

Q: If I'm a start-up company in France or Germany, for example, and



'A few of us at Intel try not to be quite the inward-focused, U.S., California company that one sometimes finds.'

I'm looking for Intel to make an investment in me, what do I do?

A: If you've got a business plan, you can send it to proposals@intel.com.

Q: Seriously, I don't know the exact number, but there's a pretty healthy flow of information that comes through there.

Q: So if I have a great business plan that catches somebody's eye at the other end of proposals@intel.com, what happens then?

A: Proposals come in from lots of

different places. Some of them come in from intel.com; we get a lot of them from other venture capital companies who would like us in on a deal. Some of them are letters that come directly to Intel, some of them come from other start-ups.

Essentially, they'll go through a sort of funnel. First of all, it has to fit one of our strategic intents. Secondly, it has to look like it may have a chance in hell of succeeding, so it has to be somewhat rational.

To give you an idea of what the sort is

like, out of 100 ideas that come in, you actually get to evaluate probably 10 percent of them, maybe fewer. These go to an investigation stage. In the investigation, that means we're starting to put some time into it, and they might actually have a meeting with the company. Then they might reject it or they might keep going until we get to something called a "deal concept meeting."

A deal concept meeting is a meeting with the team that's looking at the deal. One of the people that did the investigation who wants to champion the idea will come in and say, "Well, I found this deal. Here's the concept. They're going to do this, here's what the investment might look like, this is what Intel can bring to the party." The deal team says proceed or not.

Q: Mike Volpe at Cisco Systems Inc. recently was quoted as saying, "There are no start-ups in France, very few in Britain and none in Germany." How would you assess that?

A: Well, that's not quite true. The countries that are really getting active in these kinds of things are Israel, India, surprisingly China, Taiwan, of course. We're starting to see a fair amount of

activity in Germany. Relative to other countries, not as much, but they're active. There's some stuff going on in France and there's starting to be some stuff going on in Spain.

Q: As you're staffing up in Europe and Asia, are you finding that landscape any different than in the United States?

A: Yes. I can't make a country-by-country analysis of it other than to say that the venture capital function in England, at least, seems to be missing.

I'm not sure about the vitality of the venture capitalist part of the financial sector on an overall European basis. The general feeling seems to be that this is a market that hasn't grown yet. It doesn't mean it won't. What you seem to have in many instances is a lot of European companies coming to American venture capitalists for investment.

A 12-person start-up is going to find it hard to get listed on the London Stock Exchange, whereas we have Nasdaq and a number of other things that make it easier to take companies public. There are investors — I'm just saying the venture capital function of the financial structure seems to be a little less mature here than in the U.S.

The MACRO View

Cyberspace Comes of Age

Continued from Page 9

In fact, the Internet precisely by loosening the constraints that bound certain activities to particular places, lets people give greater priority to their bodies.

To take one especially well-understood case, research by economic geographers such as Saskia Sassen shows that global finance, far from dispersing in the ether, is concentrating in a few global centers. Why? Because financial people need face-to-face meetings to cement their networks and negotiate their increasingly complicated deals. And with the coming generation of specialized "information appliances," industrial design will adapt networked information technology ever more closely to the rhythms of our bodily lives.

The cyberspace world, with its conquest of distance, also seemed to call for "disintermediation": the elimination of intermediaries throughout the economy.

To be sure, intermediaries such as travel agents and insurance brokers are in trouble, yet many, if not most, of the successful businesses on the Internet are precisely a new generation of intermediaries. The Internet enables the boundaries between organizations to be reconfigured, but no simple theory predicts exactly how.

ABOVE ALL, cyberspace is supposed to be hostile to institutions: the digital revolution promised to displace not just intermediaries but government bureaucracies, business hierarchies, and educational systems as well.

The reality, once again, is different. The Internet's initial applications have emphasized informal connections among people with common interests, largely on the side of established institutional channels. But the Internet is now being integrated into its institutional environment.

Organizations of every sort have leaped that an Internet presence means considerably more than a Web page built over a weekend. Governments, businesses, and nonprofits alike are using the Internet to integrate their operations with those of their suppliers, allies, and customers. This is a gigantic undertaking, and the most important Internet action now found in the slow-moving and unglamorous work of sorting out its endless details.

The explosion, in short, is over. Things are changing gear. And the new task — perhaps the world's initial task for the next 20 years — is not to destroy institutions but to reinvent them.

The experience of Russia has made clear what happens to a society without functional institutions, and the global economic crisis has demonstrated the profound inability of our financial institutions to contend with the instabilities of a global economy.

On a much smaller scale, on-line businesses such as the eBay auction house are forcing us to consider the market for marketplaces: does this market function correctly, or does it lead to natural monopolies?

Faced with these profound questions, the millennialism of cyberspace counsels us to have faith in the inherent reforming power of technology. But that is not how information technology works. Information technology is a plastic medium, formed by inscribing human ideas into software and silicon. Human choice shapes the machinery. And then the machinery interacts with its institutional environment in complex ways.

Take, for example, the case of education. Societies from the United States to Brazil are preoccupied with repairing their educational institutions.

And computers seem, in some way, to hold the answer. In practice, however, many classroom computers will never leave the box, or else they will be consigned to educationally useless drill-and-kill games. To provide any educational benefit, computers require teacher training, maintenance personnel, phone lines, electrical connections, curriculum materials — an elaborate institutional framework of their own. Computers can be part of a much larger process of institutional reform, but they cannot fix the schools by themselves.

Thus one of the central questions of our time: how can information technology be used to build institutions that are not only efficient but democratic, transparent, and humane? Technology does not answer this question, but neither do the precedents of the past. The answer will only be found in the details of the institutional learning curve: choosing the values that we inscribe in our machinery, but allowing ourselves to be surprised by the institutional practice of using it.

PHIL ACRE is an associate professor of information studies at UCLA. His home page is <http://dis.geis.ucla.edu/pagrel>

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China's Uneven Advances

Difficult Transition to High-Tech Society

By Ted Plafker

BEIJING — Name any one of the world's most advanced technologies and chances are that China has mastered it. The nation's genetic engineers routinely synthesize medicines and its top surgeons perform the most challenging of procedures. Nuclear plants supply electricity to millions of customers across southern and eastern China.

Chinese elites flock to the Internet and to cellular phone networks. Chinese satellites orbit the Earth, and the technology that launched them allows Beijing to credibly threaten cities as far away as Los Angeles with the nuclear weapons that China first developed more than 30 years ago.

But these highlights of high-tech achievement stand out against a background of a decidedly low-tech. It is common in China's largest cities, for example, to see construction workers using shovels to mix concrete in small piles on the ground, or road workers leveling huge swaths of land with only hand tools.

In the countryside, many of China's 600 million rural dwellers have never heard of the Internet. They spend their days, much as their ancestors did centuries ago, transplanting rice seedlings by hand from soggy seedbeds into dry fields.

"China is now in the midst of a transformation from a traditional economy to a modern economy," said Li Xiaohua, director general of the Department of Rural and Social Development in China's Ministry of Science and Technology. "You can already see development along the coast, and even in the countryside near the larger cities, but in most rural areas, it has not yet appeared," he said.

Scholars have long noted the central role of China's "rice culture" in shaping its institutions, values and society. According to the sinologist John King Fairbank, rice cultivation allowed China to squeeze the highest possible yield from its scarce allotment of fertile land, but it also spawned a "vicious interdependence between dense population



A police bicycle equipped with a mini-computer is displayed in Beijing.

and intensive use of the soil." The near total reliance on a single, vulnerable crop helped shape the traditional Chinese cosmology which, to a far greater extent than most Western creeds, places humans at heaven's mercy. The high population density, meanwhile, fostered a culture that favors collective rather than individual values, and an economy that worked to hinder risk-taking and technological innovation.

"Once established, this economy acquired inertial momentum," Mr. Fairbank wrote. "The back-breaking labor of many hands became the accepted norm, and inventive efforts at labor saving remained the exception."

That momentum, generated ages ago, continues to be felt today. "A country's ideal choices are closely tied to its resource endowment," said Professor Han Jin, deputy director of the Rural Development Institute of the Chinese Academy of Social Sciences.

"There is so much surplus labor in the countryside that the only rational choice for China is to focus on technology that can save land, not labor," Professor Han said.

But in addition to factors stemming from China's ancient rice culture, there are also modern obstacles to a more widespread distribution of technology.

As it celebrates the 50th anniversary of Mao Zedong's 1949 Communist victory and the founding of the People's Republic, China continues to grapple with some of the faulty institutional structures it adopted shortly afterward.

Mao's government was quick to launch a huge campaign to develop science and technology, relying on Soviet advisers for guidance. Mirroring the Soviet system, China established an Academy of Sciences and a system of research institutes directly under government ministries and army departments. "This set of Soviet-inspired institutions was just disastrous for innovation, and for making linkages between research and production," said Richard Suttmeier, professor of political science at the University of Oregon and a specialist in modern China's management of technology.

Yet another problem, according to Professor Suttmeier, was that too much of China's top research was classified for military purposes. "The militarization of the very best science in the late 1950s meant that the technologies being developed could not diffuse into the civilian economy," he said.

Another problem hampering China's commercial application of technology is the narrow focus in university curricula, according to Nathan Sivin, professor of history and sociology of science at the University of Pennsylvania.

Professor Sivin, who specializes in China, said, "Most Chinese universities are closer to what we would consider technology institutes. They are basically interested in what it takes to train technicians, and the larger issues just don't get addressed."

The result, said Professor Sivin, is that engineers come out of this system lacking knowledge of the legal, social and business contexts they will be working in, and are unable to function in the market economy China is fast becoming.

The government, said Mr. Liu, is aware of these problems and is working hard to usher marketable technology out of government institutes and into the enterprises that can make it pay. In the countryside, he said, this means redirecting the focus of technology investments. Until now, China has sought to use technology to maximize crop yields, and has enjoyed considerable success.

"You may drive through the countryside and see peasants bent over planting rice by hand, but this does not mean it is low-tech agriculture," he said. "Many of them are actually planting very advanced, ultra high-yield hybrids," Mr. Liu said.

TED PLAFKER is Beijing correspondent for *The Economist*.

Taiwan's Industrial Ambitions

It Aims to Move Up Technology Ladder

By Thomas Crampton



A computer assembly line in Hsinchu, Taiwan.

HSINCHU, Taiwan — It was while walking one day through the offices of his Silicon Valley employer, the microchip giant Intel Corp., that Min Wu suddenly realized his ambitions would force him to take his newly acquired engineering skills back home to Taiwan.

"I looked around and saw very few Chinese engineers above the director level," Mr. Wu said. "I do not want to call it racial discrimination, but it was not compatible with my ambitions."

The return of Mr. Wu, along with legions of other Taiwan-born castaways from Silicon Valley in the 1980s, was a boon to national development that helped shift Taiwan's industrial base from tennis shoes and textiles into high-tech manufacturing within less than a generation.

The company that Mr. Wu founded with 28 recently returned engineers, Macronix, now has an annual revenue of more than 10 billion Taiwan dollars (\$300 million) and is one of the world's top 10 producers of flash memory chips.

Today, Taiwan produces more than half the world's computer cases, monitors, keyboards, handheld and desktop scanners, motherboards and mice, as well as a third of all notebook computers, modems and sound and video cards.

Most of this high-tech manufacturing takes place in the Hsinchu Science Park, an industrial zone near Taipei that government officials now say they want to move into the top niche of the world's technology food chain, pure design and research.

To succeed, Mr. Wu and other leading technology executives warn, Taiwan will need to accept another import from across the Pacific that is just as essential to technology development as Silicon Valley engineers: less restrictive U.S.-style company regulations.

"If you visit a similar-sized company to mine in Silicon Valley, you will see the person who founded it has long ago retired," Mr. Wu said. "Taiwan's restrictions on offering compensation through shares means that I, as founder, now own less than one percent of this company while my Silicon Valley col-

leagues in the United States easily own 10 percent of a company or more."

Restrictions on share options hit more than just entrepreneurs, Mr. Wu added. "The talented creative employees you need for design-based intellectual property work will only stick around if you can offer them a chance to build their fortune with the company," Mr. Wu said. "When I offer a salary bonus at the end of the year instead of stock options, employees have less at stake and do not feel such an attachment to the future of the company."

While Taiwan's thousands of small-sized companies and the economy's limited links to international capital markets are credited with keeping the island economically sheltered through Asia's economic crisis, Mr. Wu said more foreigners are considering an investment in for mergers and acquisitions within the space where we work right now.

It may now be fashionable to have more confidence if we own our conglomerates, he said, but still not advantages.

"The policies they used in the last 50 years were very successful and there is no reason why we can't recover," Mr. Wu said. "Our strength was built on small, medium-sized enterprises, not big companies."

Sweet words may be creative, but officials about switching to more active knowledge-based software internationally, said companies. U.S. listing discussions over the past few years on the Taiwan stock market.

No software exchange, but on the Taiwan first to do so. Ulead hopes to write the software, said president of Chen, the Taiwan companies, Ulead.

we don't have almost no hold in the factory or property."

fixed asset, the employees, tried to work one day and might just fold," he said. Mr. Chen said, not only the large profitability rules, but key executives cannot sell at least four years after the offering, double the standard of time.

It is that directors are not productive part of a software company," Mr. Chen said. "It is always people who come up with ideas."

order to appease wary regulators investors, Mr. Chen said the company is considering an investment in Taipei's pricey real estate market. "We needed to keep Taiwan competitive in the space where we work right now, which is fine, but maybe people will have more confidence if we own our offices."

For all the hand-wringing over industry upgrading, however, Taiwan's largest chip maker still sees a future in manufacturing. "Manufacturing is not a dirty word," said Morris Chang, chairman of industry giant Taiwan Semiconductor. "People tend to underestimate innovations in manufacturing."

"McDonald's did not invent the hamburger and Federal Express did not invent air mail delivery. What both of these companies did was create innovative business models," he said.

Following on this idea, Mr. Chang said his company was making a transition from microchip manufacturing to customer-driven production.

"We are getting our customers involved in every stage of the process and giving them access to all the data," Mr. Chang said.

THOMAS CRAMPTON is a correspondent for the *International Herald Tribune* in Bangkok.

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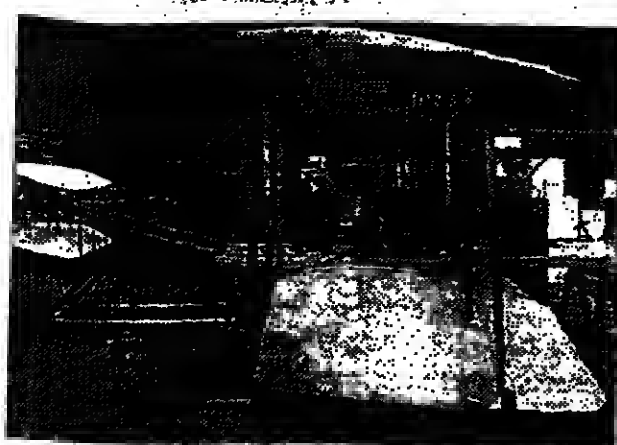
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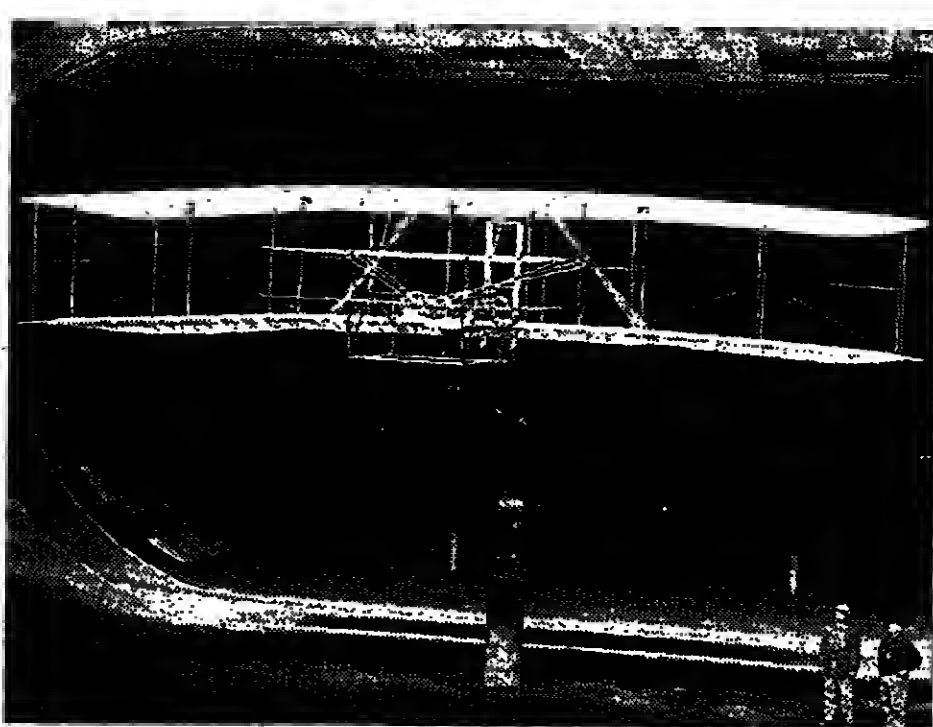
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TribTech

LEISURE



Workers tinkering with a replica of the Wright Flyer, left, at the Ames Research Center in California. At right, the replica of Orville and Wilbur Wright's aircraft is tested in a NASA wind tunnel at the research center. Engineers want to learn why the original aircraft succeeded in flying in 1903 when many others did not, and airplane enthusiasts are preparing to mark the 100th anniversary of that historic first flight at Kitty Hawk, North Carolina, in four years.



The New York Times

How Did the Wrights Do It?

Answers Sought in a Replica of 1903 Aircraft

By Warren E. Leary
New York Times Service

WASHINGTON — It looks eerily out of place. In a giant NASA wind tunnel used to test components of looking biplane made of wood and cloth — a replica of the Wright brothers' aircraft that began the age of powered flight.

Orville and Wilbur Wright's achievement on Dec. 17, 1903, when their double-winged craft first made a short hop under its own power at Kitty Hawk, North Carolina, is legendary. With Orville at the controls and Wilbur running alongside to steady the wing, the plane rose 12 feet into the air and went about 120 feet on its 12-second flight.

But exactly how did this airplane work, and why did it fly when so many others before and after it failed?

Engineers at the National Aeronautics and Space Administration's Ames Research Center at Moffett Field, California, are trying to answer these questions while assisting a group of airplane buffs who want to build and fly another replica of the Wright Flyer to commemorate the 100th anniversary of the historic event in four years.

Pete Zell, test manager of the world's largest wind tunnel, said engineers were using the full-scale replica to learn more about the original plane's stability, control and handling to compile an aerodynamic database of the flyer.

"I can't think of anything as exciting as using modern technology to test an aerodynamic replica of the biplane that Orville and Wilbur Wright flew," he said.

"The Wrights were geniuses and did something unusual," said Jack Chabner, an engineer with TRW Corp. and the chairman of the Wright Flyer Project, the builder of the replicas.

"But there is little written that details what they accomplished, just their notes, and they are not too technical," he said. "We want to document exactly what they did and how they made their Flyer work."

The project is the work of a team of volunteers from the Los Angeles chapter of the American Institute of Aeronautics and Astronautics, a professional association. Working on week-

ends for several years, the volunteers used data on the original plane supplied by the Smithsonian Institution to create the wind-tunnel replica.

The original Wright Flyer is on display at the Smithsonian's National Air and Space Museum in Washington.

WITH A \$20,000 treasury, donated parts and their labor, the group constructed the 600-pound (272-kilogram) replica of spruce and fir and piano wire with cotton covering for the wings. The duplicate is about 21 feet (6.4 meters) long and 8 feet high, with a wingspan of 40 feet and 4 inches, and two spruce propellers, each 3 feet and 6 inches in diameter, behind the wings.

Wind tunnel tests began March 1 and are to be concluded this week. To withstand the rigors of the tests, the duplicate has been reinforced with aluminum spars that add weight to the aircraft — but do not affect its aerodynamic characteristics, the engineers said.

The replica is mounted in a section of the tunnel 80 feet wide and 40 feet high. It is on a pivoting strut that allows changes in its up-and-down and side-to-side headings as it flies at speeds approaching 30 miles an hour. For safety reasons, the propellers are turned at different speeds by an electric motor instead of the internal combustion engine used on the original plane.

Lying across the bottom wing of the open-air model is a full-sized mannequin called Orville, dressed in a 1900s black suit, shirt and tie with a hat glued to his head.

"He has to be there," said Craig Hange, a NASA wind-tunnel engineer conducting the tests.

"Back then, the man was part of the aerodynamics."

When the tests are concluded, the replica will be taken to Hawthorne, California, and permanently displayed in the lobby of the Federal Aviation Administration's regional office there.

Fred Culick, an aeronautics professor at the California Institute of Technology and a participant in the building project, said the group would start building a flyable near-replica this year using the wind-tunnel data, the plans for the original Flyer and the experience of making the first replica.

This plane is to be finished by early 2003 so that it can be tested before becoming part of the yearlong Wright celebration. Plans call for the plane to be displayed in Dayton, Ohio, home of the Wright brothers, that July and taken to Kitty Hawk for a series of flights in December 2003.

MR. CULICK, who will be the first of about 10 project members scheduled to fly the plane, said an exact copy of the original Flyer would be too unstable and dangerous to fly, particularly if flown several times.

Although it may upset some purists, he said, the new plane will have wings added in front to make it more stable, as well as more efficient controls, a more powerful engine and subtle aerodynamic changes to make it more flyable.

"We are trying to recreate the impression of the first flight and do it repeatedly with some safety," said Mr. Culick, who will wear a crash helmet and safety harness on his flights. "We're going to test-fly it before going to Kitty Hawk, starting with taxi tests on wheels. This is great fun, but too one wants to get killed doing it."

VERY BRIEFLY

A HOUSE THAT TALKS TO ITSELF: Kitchen computers that take drink orders like "Tea, Earl Grey, Hot" are not just for futuristic spaceship captains anymore.

So-called smart technology, which lets machines communicate not only with humans but with other devices to keep a household running smoothly, moved closer to reality as

Motorola Inc. announced plans for a new partnership with the Massachusetts Institute of Technology.

The company donated \$5 million to the university to create the Motorola Digital DNA Laboratory at MIT's Media Lab.

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At the new lab, scientists will work on a new wave of smart product applications — such as clothing with labels that can tell a washing machine which cycle to use, or dishwashers that communicate to other appliances about noise levels and energy usage.

Such products would improve on appliances that have the capacity to be smart, but are not linked with other machines by a computerized network.

Eventually, when "networked" homes are the norm, people will wonder how they ever lived without doors that recognize and open for specific people and thermostats that respond to voice commands, said Nicholas Negroponte, the MIT media lab director.

"The front door can open as it sees you coming with a load of groceries," said Mr. Negroponte, who also serves on Motorola's board of directors. "Or it can let the dog out but not let 10 dogs back in."

INVESTING IN ULSTER: User Technology Associates, a Virginia-based company, is investing \$3 million in Northern Ireland, hopes the province will come to the "Hong Kong of Europe."

The U.S. Commerce Secretary, William Dale, announced the deal at a press conference in Washington attended by First Minister David Trimble of Northern Ireland and Deputy First Minister Seamus Mallon.

User Technology Associates said it would build a facility in Belfast that would employ 110 people within three years.

The business will develop and market at UTA calls enterprise resource planning software, which helps companies integrate customer service, manufacturing, sales and distribution.

"Jobs they hope to bring to Belfast are high-skill, high-wage information technology jobs," Mr. Dale said. (AFP)

INTERNET FISH: As a generation "fish guy" in New York City, Stratix Fogen practically grew up in the Fulton Fish Market, helping men dicker over seafood.

Auctions of hard-to-get delicacies were long a staple of the wholesale market. So when he heard about the growing popularity of on-line auctions, Mr. Fogen re-

alized that he could fuse the tension of the professional fish auctions with the fun of "playing along" at home on the on-line audience.

After he first saw the Internet a year ago, Mr. Fogen decided to build his own site, FultonStreet.com. His father thought he was crazy. Mr. Fogen's site is now up and running, selling 300 orders a day.

In each day, at an average of \$90 apiece, this online deal to be the "exotic.com, line fish store" to Alaska will start auctioning packages, king crab legs for two, four-course dinners and live Maine lobsters. Starting bid: \$7.

ON-LINE BOOM: Japan's companies spent 88 percent more to advertise on the Internet in 1998 than they did the year before, according to Dentsu Inc., Japan's best advertising company.

Internet advertising spending rose to 11.39 billion yen (\$96 million) in 1998 from 6.0 billion yen in 1997, Dentsu said. (Bloomberg)

YBERSURFERS IN LATIN AMERICA: Although Latin Americans spent just \$170 million on the Internet last year, the rush to get online will drive that to \$8 billion a year by 2003, according to Amnixa Alford, regional analyst for International Data Corp., a research firm.

The number of Latin American Internet surfers is expected to grow to 19 million by then, from 4.8 million last year, Miss Alford told the Latin Channels 99 conference in Newport Beach, California, focusing on computer hardware and software distribution to the region. (Reuters)

BOOKS

THE SOUND OF SLEAT

By Jon Schueler. Edited by Magda Solvesen and Diane Cousineau. Illustrated. 359 pages. \$30. Picador U.S.A. Reviewed by Christopher Lehmann-Haupt

WHAT I am trying to do in this book is to write about the man who lives, who suffers, who chooses to paint, who wants to have vision, who suspects more and more that whatever happens, it happens because of forces beyond him as long as he works. He must provide that one force: He must be a man working.

So wrote the American painter Jon Schueler (1916-1992) in a journal entry on April 14, 1978. As "The Sound of Sleat" reveals, he had been "a man working" ever since he had taken up painting in 1945, after earning a bachelor's degree in economics (1938) and a master's in English literature (1940) at the University of Wisconsin and after serving in the Army Air Corps in Europe in World War II. The work of painting had carried him into the ranks of New York Abstract Expressionists, which made him a contemporary of artists like Mark Rothko and Jackson Pollock.

But this apparently was not enough for Schueler. He needed something more to allay the loneliness of his work, especially as he was about to fulfill his long-time dream of moving in the Western Highlands of Scotland. "If I am going to be alone," he wrote, "I shall need the word — if only my own on paper."

So in January 1957 he began this book. Work on it went on for some 22 years, until August 1979, 13 years before his death in 1992. In it he put journal entries and personal letters sent and received, anything to create a narrative of his life and an account of his search for artistic freedom. At his death the manuscript added up to more than 2,700 pages, too many for a single volume.

Friends had read it, including the novelist Russell Banks, who has written an

introduction, and felt strongly that it was worth publishing. So Magda Solvesen, the author's widow, and Diane Cousineau, who had been a friend, cut it, shaped it, wrote a running commentary on its contents and titled it "The Sound of Sleat," which is both the body of water next to where Schueler settled in the Highlands and a pun on the sensation that many of his brooding, Turner-esque landscapes evoke.

To read the resulting book is far less confusing than any description of its structure may convey. True, its time sequence is sometimes hard to follow: Framed by the editors' commentary, Schueler's dated journal entries often cover earlier periods of his life, not necessarily in order, so that one chronology nests within another within another. But a benefit is that events viewed from several vantage points spring into three dimensions. Besides, if you get lost, you can always turn back to the straightforward three-page chronology at the start of the book.

The greatest benefit of all is that with cumulative power the entries explain the remarkable experience Schueler underwent upon his arrival at the Sound of Sleat, an experience that allowed him to record on canvas his simultaneous sense of rapture in response to the landscape and his apprehension of death.

For many of the pages, Schueler describes the daily tensions of trying to make it as a painter, occasionally pausing to remark on how little these details have to do with the true vocation of the artist and how much of what he complains about is "counterbalanced with great ecstasies, happiness, laughter, love, tenderness, friendship, affection, parties, travel, rare good times, deep and powerful friendships, loyalties, intellectual and creative stimulation and challenges in the art worlds of San Francisco and New York as well as in nature and in the studio."

What many of these pages add up to is an absorbingly gossipy portrait of the New York art scene in the 1950s, '60s and

'70s. Then suddenly the author goes back in time to deal with events in his life that are mentioned without comment in the book's introductory chronology but that strike you as time bombs ticking away.

Among these are his mother's death when he was 6 months old and the fact that he didn't learn of this until he was 12; his hospitalization during the war and "medical retirement" in February 1944; the extraordinary number of women in his life, some of whom he was married to briefly, and finally his seemingly sudden decision to leave New York for Scotland. As he explores these matters in detail, they sometimes remind you of the shocking end of Joseph Heller's "Catch-22," where Yossarian finally reveals what happened to "the Snowdens of yesterday." The details of his past also reveal what Schueler was after in his paintings, down to the decision to place his horizons low on the canvas, as if one were viewing the landscape from the vantage of a B-17 navigator on a bombing run.

The book ends on a note of modest triumph so far as Schueler's career is concerned, with his 1973 show at the Whitney Museum of American Art, with substantial sales of his paintings and with his dealer, Ben Heller, telling him: "I think you are one of the leading American painters. But few people know this. We have to do something to make your name known."

A clearer sense of his power as a painter is conveyed by the two dozen color plates in the volume and by an anecdote Schueler records about a man who came to him during an exhibition of his work in the Highlands and described how his wife, who had lost her sense of color during a severe nervous breakdown, regained it from looking at his paintings. After experiencing Schueler's movingly honest struggle to channel those "forces beyond him" onto the canvas and into these pages, one can sense what fueled the grayness from that woman's eyes.

New York Times Service

BRIDGE

By Alan Truscott

IN NORTH AMERICA, major team events are invariably knockouts, with half the players departing after each round. At world level, teams start in round-robin pools leading to knockout playoffs. The Dutch have a different idea, which keeps everyone busy until the final. At the Hague during the last weekend in February, 64 teams were divided into round-robin pools of eight. The eight winners and runners-up went into a Swiss-team final, and the rest into round-robin groups according to their standing.

The overall winners were a young Dutch team consisting of Schelte Wijma, Jaap Bruleman, Hans de Vriend and Frans ten Brink. Half the teams were Dutch, and they performed convincingly, while many of the foreign invaders had a hard time. The only American team, a women's foursome consisting of Kathie Wei, Betty Ann Kennedy, Juanita Chambers and Irina Levitina, finished 31st, and a favored squad including Gabriel Chagas and Zia Mahmood was 42d.

Tjalli Tuwanakotta, the captain of the Dutch team that placed second, helped his cause with skillful play on the diagramed deal against an Italian squad. He was South,

and arrived in an optimistic four-spade contract after West had overcalled in diamonds and East had doubled one heart to show moderate high-card strength. The diamond king was led, and after winning with the ace South led his singleton heart. The eight, nine and jack were played, and East forced dummy to ruff by returning a diamond. The heart king was led, and the rest was easy: South cashed the ace and king of spades and played heart winners.

Notice that it would not have helped East to hold up his heart ace when the king was led. South would have

cashed the ace and king of spades before playing the heart 10 to ruff out the jack.

NORTH
♠ K 8 4
♥ K 10 7 4 2
♦ 7
♣ Q 3

WEST
♠ 7 5
♥ Q 8
♦ K Q 9 8 5 2
♣ A 10 8

EAST
♠ Q 10 3
♥ A J 8 3
♦ J 10 4
♣ J 5 2

SOUTH (D)
♠ A 8 7 2
♥ O 5
♦ A 8 5
♣ K 9 7 5 4

North and South were vulnerable.

The bidding:
South West North East
1 ♠ 1 ♠ 1 ♠
1 ♠ Pass 4 ♠ Pass
Pass Pass

West led the diamond king.

ALT / Commentary

A Device to Block Pesky Cell Phones

By John Burgess
Washington Post Service

WASHINGTON — What an invention, I thought. Surely it will draw cheers and applause all over the world. A company in Israel has developed a white box that sends out radio signals to neutralize cellular phones in a limited area. As long as the box is on, phones within range cannot take or make them.

The technology was created for the Israeli military, but it is something that clearly could be in the civilian world. Just suppose the boxes were installed in theaters, churches, libraries or other places where people find their peace of mind violated by other people's cell phones.

It got me thinking about the existence of a device to defeat today's electronic technology. That's been true for other people's electronic technology, of course, but this arms race also figures in what you buy.

Radar detectors, virus checkers and software that can filter out ads on Web pages are all examples.

Yet because these products and services take aim at other people's products and services, there's often a fight about whether they're legal. Many countries and U.S. states have outlawed use of radar detectors. You can look now for a similar fight over cell-phone busters.

The cell-phone industry is already on record against the box, in fact. Netline Communications Technology Ltd., a start-up company in Tel Aviv, is the problem of rogue cell-phone users.

The solution, says the Cellphone Industry Association, would be to agree on what is acceptable use of the phones. "Please switch off cellular phones," says the association, but "doing

Education, a person's phone etiquette is needed, said Jeffrey Nelson, a spokesman for the association, but "doing something to disable a phone in a public place is a violation of the public good."

Convinced, you can't unlearn a bad habit. Cell-phone use is a bad habit, says Jeffrey Nelson, a spokesman for the association, but "doing something to disable a phone in a public place is a violation of the public good."

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Who's the dot in .com?

Everyone's more than a little familiar with ".com". But how about the company behind the dot? At Sun, everything we make, everything we do (and have always done) is about launching companies into the Network Age.

And that's what the dot in .com is all about.

Our scalable enterprise servers power the Net from the workgroup to the data center. And as information expands on the Net, our open network storage systems expand along with it.

Our Java™ software is becoming the de facto standard platform for Net-based computing. Our Jini™ technology is further simplifying computing on the Net, enabling a world where all kinds of consumer devices connect to the Net—and to one another.

Solaris™ is the 64-bit enterprise software environment for the Net, delivering the strength and safety of a mainframe with the ease of use of a PC.

Our UltraSPARC™ 64-bit processor is what you might call the high-performance engine behind the Net. And our service, support and consulting experts tailor solutions for moving your company to the Net, and getting the most out of it.

Suffice it to say, there's a lot going on behind the dot in .com.

What can we .com for you?"

We're the dot in .com."



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Health
America
Markets
Rally



Foreign
Relaxing



CURRENT

مكتبة الأمل

Signs of Health In Latin America

Brazilian Markets Stage Cautious Rally

By Simon Romero
New York Times Service

SAO PAULO — After spending much of 1999 straddling the line between pessimism and panic, Brazilian markets are staging a cautious rally that may be the first sign that the economy, Latin America's largest, is starting to creep out of recession.

The benchmark Bovespa stock index, the main barometer of investor sentiment, moved Tuesday into positive territory for this year when measured in dollar terms. And when measured in the Brazilian currency, the real, stocks have risen nearly 57 percent in two and a half months.

On Wednesday, the Bovespa index slipped 23.63 points, or 0.22 percent, to 10,634.76 points. But the index increased 2.35 percent Tuesday, following an 8.77 percent gain Monday.

The real, which spent much of January and February battered by concern over a possible return of hyperinflation in Brazil, has strengthened nearly 15 percent in the past two weeks. On Wednesday afternoon, the dollar was trading at 1.87 reals.

The improvement is partly a result of investor optimism after pledges by foreign financial institutions to renew credit lines totaling about \$23 billion to Brazilian borrowers over the next six months. The foreign banks acted after pleas by the new president of Brazil's central bank, Arminio Fraga.

Lending rates, though, remain extremely high by world standards. On Tuesday, Bloomberg News reported, the overnight futures contract for May rose to 42.06 percent from 41.49 percent on Monday. Bonds were mixed, with the widely traded C bond yielding 16.04 percent.

But the signs that inflation may not be accelerating as fast as was feared have helped alleviate some investor concerns.

"We're witnessing a shift in sentiment from very dark forecasts to a scenario of a long, slow recovery," said Octavio de Barros, chief economist in Sao Paulo for Banco Bilbao Vizcaya, Mr. de Barros, like most other economists at large banks, said he saw the bright of

See REAL, Page 21

Foreign Investors Relishing Mexico

By Julia Preston
New York Times Service

MEXICO CITY — The menu was eggs with hot chili sauce, and the mood had a certain zing as well.

Top executives from foreign companies had breakfast Tuesday with President Ernesto Zedillo and told him that they planned to spend \$10 billion this year on factories and other projects in Mexico, matching direct foreign investment last year despite continuing uncertainties about Latin America.

A chipper speech by Mr. Zedillo and the satisfied applause of his audience showed how far Mexico had come in its efforts to separate itself in international investors' minds from other, more troubled Latin countries since economic crisis shook much of the region last year.

Foreigners' preference for Mexico has been felt in the stock and currency markets as well as in longer-term investments. Recently, the demand for pesos from investors has lifted the Mexican currency to levels not seen since before the global economy began to waver last year.

As financial chaos ruled in Ecuador, the Mexican peso rose Wednesday to its highest level in seven months, with the dollar falling to 9.67 pesos.

The stock market here has also continued to climb. The benchmark index has gained 48 percent since Brazil's currency, the real, suffered a steep devaluation in January, setting off a new round of worries about Latin American markets.

Mexico has attracted investors' attention because of the combination of disciplined fiscal policies enforced by Mr. Zedillo, a Yale-trained economist, and close ties to the thriving U.S. economy, which absorbed more than four-fifths of Mexico's exports last year.

"Mexico is a clear safe haven" for stock market investors, said Michael Gavin, director of Latin American research at Warburg Dillon Read. "Most investors know

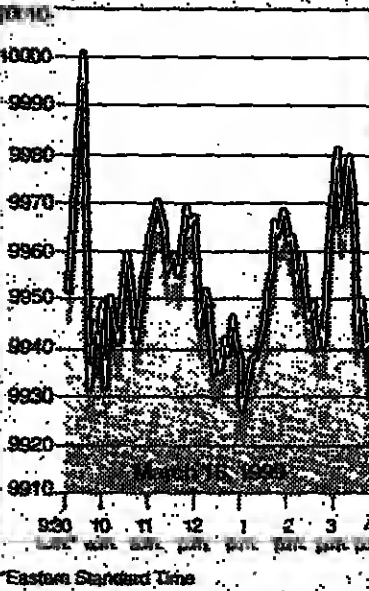
See PESO, Page 21



Late C. Kohn/The Associated Press

The Dow's Historic Day

The Dow Jones Industrial average passed 10,000 shortly after opening Monday but failed to close above that point.



Source: Bloomberg

WALL STREET MANIA — Traders celebrating at the New York Stock Exchange after the Dow Jones industrial average passed 10,000 points. But investors may be so fixated on Wall Street that they are missing opportunities in the rest of the world. Page 24.

Goldman's Staff to Gain in Public Offering

In Rare Move, Securities Firm to Share the Wealth With Secretaries and Janitors

By Joseph Kann
New York Times Service

NEW YORK — A secretary plans to buy a summer home. A 36-year-old banker is already pondering retirement.

Chalk it up to stock — not the stocks of the Dow Jones industrial average, but stock in Wall Street's last big private partnership, Goldman, Sachs & Co., which detailed its plans to go public Tuesday and offered a glimpse of how it plans to divide about \$21 billion in projected net worth.

In Wall Street legalese, substantially all of Goldman's 13,000 employees will get a stake in the blue-chip investment bank when it sells shares this spring. The general partners who currently own the firm will get substantially more — the average value of their shares will reach about \$50 million. But employees below that level will share a \$4 billion windfall — secretaries, janitors and word-processing clerks included.

"It's not like winning the lottery. We earned it," insisted a corporate secretary at Goldman's beige-stone headquarters almost across the street from the New York Stock Exchange.

"But it's a little like the lottery, I guess, because it's not the kind of pay you get every day."

Not on Wall Street, anyway. Though many of the Internet start-up companies that go public these days turn their founding employees into overnight millionaires, Goldman says it is the first securities firm, and one of the few companies in history, to share the spoils from a public offering with employees who have no ownership stake. It is sharing 20 percent of the firm's estimated value, according to details provided in the registration statement that the firm filed Tuesday with the Securities and Exchange Commission.

Under this share-the-wealth formula, a secretary in Hong Kong who took home \$40,000 last year and has worked at the firm for five years

Something For Everyone

Goldman, Sachs goes public at a price that values the firm at \$21 billion, but it has many more shareholders than most public companies.

OWNERS	VALUE OF STAKE
General Partners (22)	\$11.8 billion
Employees (13,000)	\$5.0
Preferred Shares (125)	\$2.2
Common Shares (2)	\$2.2

Source: Goldman, Sachs

will get a stock bonus valued at about \$25,000, some of it in shares that cannot be sold right away. A newly hired New York janitor might get \$10,000. One rising banker who earned half a million last year said he expected to receive Goldman stock and options valued at about \$1 million, though payments have yet to be finally determined.

Partners, of course, will see their stakes increase much more. Even the most junior of Goldman's 221 partners, including 58 promoted only three months ago, will have shares valued at about \$20 million if the public offering goes as planned, people familiar with Goldman's plans said. The most senior partners, led by Henry Paulson Jr., the chief executive, will see their stakes rise to more than \$150 million.

Goldman employees were not exactly clicking their heels as they knocked off work for the day Tuesday. But many had trouble suppressing smiles despite the firm's blanket ban on indulging the press, especially when it comes to the coming public offering.

"We got lucky," said one young banking associate, smoking a cigarette as he picked out his chauffeur sedan from the line of black cars outside headquarters. "I just wish I got a few years earlier," he said, explaining that those with longer tenure will get a bigger slice of the pie.

Goldman is the only major Wall Street firm that bucked the trend to go public in the 1970s and 1980s. Partners there said over and over that they did not want to sell shares because that would risk diluting the firm's famously aggressive culture. Even more than other securities firms, Goldman is known for keeping its bankers on call most hours of the day and night and elbowing its way to the top of the rankings in the

See SACHS, Page 20

Regulators Accept BNP's Buyout Plan

Bid to Link With Societe Generale and Paribas Still Faces Many Hurdles

Compiled by Our Staff From Dispatches

PARIS — Banque Nationale de Paris SA has cleared a major regulatory hurdle in its unsolicited quest to buy Societe Generale SA and Paribas SA to form a French banking colossus.

Financial market regulators said after a meeting late Tuesday night that BNP's bid could proceed.

BNP has offered 15 of its shares for seven Societe Generale shares and 11 of its shares for eight Paribas shares. The two target companies, which have their own plan to merge, have vowed to fight the BNP bid.

Source: Associated Press

The meeting of regulators, the first step in a long approval process, comes amid an escalating media battle between the banks and a daily fan of rumors about white knights and counterbids.

A German newspaper reported that Deutsche Bank AG might take a stake in the three-way alliance, if BNP were to succeed. BNP dismissed the report Wednesday, saying it had had no contacts with Deutsche Bank, which also declined comment.

Shares in all three banks rose in the days after BNP announced its bid, but they have been little changed

since. In trading on the Paris Bourse on Wednesday, BNP closed steady at 80 euros (\$87.94), Societe Generale rose 50 cents to 171.50 euros and Paribas declined 90 cents to 100 euros.

The regulatory clearance Tuesday night by the Conseil des Marchés Financiers, or CMF, is just the first hurdle BNP must jump. It also needs the approval of the Commission des Operations de Bourses, or COB, the French equivalent of the U.S. Securities and Exchange Commission, which has five market days to act.

The CNF evaluates the value of an offer, while the COB rules on whether shareholders have enough information to make a reasoned decision.

After all approvals, the bid would run for 35 days, during which Societe Generale could increase its own bid for Paribas, forcing BNP to follow suit.

Also, another bidder could come in. An appeal of the CMF or COB's decisions could hold things up even longer.

Collette Neuville, the head of a shareholder activist organization, ADAM, and a member of Paribas' supervisory board, said she had not decided whether to carry through with a threat to appeal the CMF clearance in the Paris appeals court.

"I am stunned to see the

billions of francs traded on the market when we are in the dark," she said.

Pierre Servan-Schreiber, a lawyer at Sullivan & Cromwell who is representing Societe Generale and Paribas, said the "decision changes nothing as far as the uncertainty of the offers is concerned."

U.S. regulators might even get involved, because 46 percent of Paribas' shareholders and 48.2 percent of Societe Generale are foreigners, including U.S. investors, he said.

Meanwhile, the banks continued their very public jockeying for position.

BNP said its \$38.2 billion offer for Societe Generale and Paribas had already rewarded investors more than the rival bid by Societe Generale for Paribas, pointing to the recent run-up in the stock prices.

BNP noted that after the earlier Societe Generale bid for Paribas, meanwhile, the shares of both those banks fell.

But Societe Generale and Paribas argue that BNP's offer would "destroy value" for shareholders and lead to the loss of thousands of jobs and the dismantling of Paribas.

The banks have charged that BNP's bid is not clear and that investors do not know what they are getting if they swap their shares.

(Reuters, Bloomberg)

Olivetti Sets Big Job Cuts For Telecom

If Bid Succeeds, It Vows To Cut Key Rates by 70%

Compiled by Our Staff From Dispatches

MILAN — Olivetti SpA unveiled plans Wednesday for nearly 20,000 job cuts at its takeover target, Telecom Italia, and vowed to slash long-distance phone tariffs by up to 70 percent if it wins Europe's largest takeover battle.

Presenting a plan it hopes will knock down Telecom Italia's defenses to its \$58 billion bid, Olivetti also attacked its target's proposal to merge with its cell phone unit, Telecom Italia Mobile SpA, and said it would instead look for European alliances for the company, which is 60 percent-owned by Telecom Italia.

Olivetti said it would lay off 13,000 employees at Telecom Italia's fixed-wire telephone network over three years and press ahead with plans to cut 6,500 jobs from Telecom Italia's noncore businesses. The noncore units — ranging from cable suppliers to insurance — account for 35,000 of Telecom Italia's 126,000 employees.

Unlike Telecom Italia, Olivetti considers some of these operations so weak they could not be sold off without first being nursed back to health.

Olivetti said it had not decided what to do with Stream SpA, the unprofitable digital television unit Telecom Italia wants to sell after failing to strike a deal with the media tycoon Rupert Murdoch.

The job cuts are less than the 40,000 Telecom Italia was reported this week to be considering in its plan to fight off Olivetti, but the proposed tariff cuts are steeper than the 50 percent reduction announced last week by Franco Bernabè, the head of Telecom Italia.

Sticking as expected with his bid price of 10 euros per Telecom Italia share, the managing director of Olivetti, Roberto Colaninno, told investors he would slash the former monopoly's operating costs by 4.5 trillion lire (\$2.54 billion) by 2002 and make investments worth 26.5 trillion lire in the following two years. Bringing Telecom Italia's costs into line with European rivals would mean cuts of 20 percent, he added.

Olivetti dismissed as "stupid" its target's plans to use a stock swap to buy out the minority shareholders of TIM. Mr. Colaninno instead proposed seeking alliances across Europe for the unit and said he expected basic operating earnings in the mobile sector to grow by 10 percent a year instead of the 4 percent growth predicted for the company's fixed-wire telephone network.

"TIM should become an attacker in the European market," he said, assuming a pan-Continental role.

Olivetti also sought to woo Telecom Italia's many savings-oriented shareholders by saying it would maintain dividends and by promising to buy back some shares.

Mr. Colaninno said TIM's sales would rise 6 percent a year for the next three years. But fixed-line sales will be unchanged in that period, he said, and sales at such Telecom Italia manufacturing operations as Sirti and Italtel will decline.

Olivetti plans to bring these manufacturing units to the "minimal levels of competitiveness" before selling them off, the company said. Telecom Italia's plan called for selling all noncore activities by next year.

(Reuters, Bloomberg)

CURRENCY RATES

Cross Rates					March 17					Other Dollar Values					March 17				
	\$	£	¥	CS	DF	Per	CS	DF	Per	CS	DF	Per	CS	DF	Per	CS	DF	Per	
London (to)	1.6296		2.3652	192.97	2.4774	11.0003	475.39	13.295											
New York (to)		1.6305	2.4184	178.17	1.321	24.00	293.03												
Paris (to)	118.00	192.22			77.34	17.43	N.L.	14.3											
Frankfurt (to)	1.5214	2.3652	1.0489	1.2899		0.2253	0.5216	0.1845											
Other Dollar Values	1.4482	2.3616		1.2255	0.9515	21.4732	0.6792	0.7772											
Argentine peso	1.0646	0.6744	1.5987	130.18	1.6685	7.4317	321.13	8.978											
U.S. dollar	1.3965	0.5445	2.007	160.650	2.086	9.2349	402.013	11.2404											
Source: Associated Press.																			
European Cross Rates																			
Intra-EMU rates are penny/unit																			
	£	¥	CS	DM	Ir	It	Neth	Port	Spain										
Denmark	26.499	36.454	5.7901	8.0834	1.7917	0.5171	2.5713	3.009	182.02	185.06									
France	16.369	39.7145	6.9017	9.0714	2.9582	1.1697	2.6622	2.3382	148.7	146.107									
Germany	9.41	22.399	21.78	24.12	14.44	6.48	38.77	4.65	0.784	0.784									
Austria	34.119	23.43	3.9977	7.0835	17.47	0.7107	0.4264	4.8654	2.991	2.991									
Belgium	47.93	30.655	0.2167	1.265	1.04	0.2167	0.2167	0.2167	0.2167	0.2167									
Finland	0.021	14.7391		0.9904	3.4	7.5493	0.2071	2.6981	2.567	2.567									
France	0.0207	16.007	1.1032		2.3359	0.2399	0.3388	2.6799	2.597	1.8438									
Germany	0.147	0.0389	0.0287		0.2	0.0287	0.0287	0.0287	0.0287	0.0287									
Italy	0.0207	1.9833	0.1235	0.12	0.0027		0.0027	0.0027	0.0027	0.0027									
Spain	1.0673	4.9939	0.264	295.19															
Switzerland	2.2007	0.0389	0.0287		0.0389	1.1957	2.7981	1.1093	1.0992	1.0992									
Portugal	14.5694	49.89	37.1857	56.8233	10.521	25.454	10.32	30.9742		120.49									
Spain	1.0971	412.4	19.84	3.6583	0.9183	0.7127	8.9951	7.9339	82.393										

Fixed rates of the ERM member currencies for one year.
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EUROPE

Renault-Nissan Plan Leaves Some Doubters

PARIS — Renault's and Nissan Motor Co.'s shares fell Wednesday on uncertainty over the prospects for a second-largest carmaker in Japan and France.

Renault shares closed down 6.2 percent, or 2.07 euros, at 31.40 euros (\$34.23) on Wednesday. It made an offer Tuesday to buy 35 percent of Nissan, a stake valued at about \$4 billion.

Nissan's shares fell 1.7 percent, or 8 yen, to 465 yen (\$3.96) in heavy trading in Tokyo.

Nissan said the two companies would enter exclusive talks that would lead to an alliance by the end of the month. A deal would create the world's fourth-largest automaker and make Renault the first

European company to invest in a major Japanese carmaker.

"Consolidation of Nissan as an associate would have more than 1.5 billion francs from Renault's profit," before financing costs, Renault's share of losses and possible goodwill, said Olivier Pontaut, an analyst at CPR Finance in Paris.

Analysts said Renault had a lot of work ahead of it if it expected to help the Japanese carmaker dig out from under 4.3 trillion yen in consolidated debt and restore profit.

"Though the move is charged with risk, the opportunity is unique," Mr. Pontaut said. "Had Nissan possessed a flourishing balance sheet, Renault would never have considered such a tie-up."

Speaking to reporters in Paris after a weekly cabinet meeting, Fi-

nance Minister Dominique Strauss-Kahn of France said the plan was "a major opportunity" for Renault.

The question is whether Nissan's management will block cost-cutting steps — such as closing factories, cutting parts costs and slashing the number of models Nissan offers — that analysts say are necessary to turn around the Japanese automaker.

Nissan expects to report a group net loss of 30 billion yen in the year to March 31, its sixth loss in seven years and more than double last year's 14 billion yen loss. It forecasts sales of 6.4 trillion yen, down 2.5 percent from the previous year.

Nissan said Renault's bid included a possible stake in its Nissan Diesel Motor Co. truck unit.

"Until we get something more

definite, there's no reason for Nissan shares to go up beyond what they went up to yesterday," said Jeremy Tonkin, an auto analyst at Towa Securities Co.

Nissan's shares gained 18 percent in the two days before Wednesday.

Meanwhile, three credit-rating agencies sent signals of doubt about the talks.

Standard & Poor's Inc. put debt issued by Renault and its subsidiaries on watch with negative implications on Wednesday, while the European agency Fitch IBCA put Renault Credit International debt on watch with negative implications.

Moody's Inc. downgraded the outlook for its rating of Baal for main debt carried by Renault and its subsidiaries from positive to negative.

(Bloomberg, AFP)

Siemens Set To Spin Off Chip Unit

MUNICH — Siemens AG said Wednesday it would spin off its semiconductor business into a separate unit that it would subsequently float on the stock exchange under a new name.

The division, which employs 25,000 people, will be called Infineon Technologies as of April 1 and will be based in Munich, Siemens said.

Until it is listed, at the end of this year or early next year, it will remain a wholly owned unit of the German electrical engineering giant, the company said.

In the year that ended Sept. 30, 1998, the semiconductor business reported a 14 percent gain in sales, to 6.7 billion Deutsche marks (\$3.8 billion). But a slump in chip prices led to a loss of 1.2 billion DM.

The sale is part of a reorganization announced by the chief executive, Heinrich von Pierer, last year. The company has been streamlining operations for two years, selling defense technology and other units. Siemens will need to show that the new unit can be independent, dynamic and able to take advantage of an upswing in the chip industry, analysts said.

"They'll need to build up the credibility of the company," said Jean Danjou, an analyst at SG Securities in Paris.

"They'll need to show the market that a bit more entrepreneurial and reactive than what you normally think of when you think of Siemens."

Analysts said Siemens may want to expand into less volatile and faster-growing segments of the chip market such as mobile phones and decoders for digital television signals. In Frankfurt on Wednesday, Siemens shares rose 80 cents to close at 61.70 euros (\$67.26).

(AFP, Bloomberg)

Investor's Europe

Exchange	Index	Wednesday	Prev.	Change
Amsterdam	AEX	3,542.52	3,493.44	+49.08
Brussels	BEL-20	3,542.52	3,493.44	+49.08
Frankfurt	DAX	3,077.45	3,094.65	-17.20
Copenhagen	Stock Market	575.18	585.51	-10.33
Helsinki	HEX General	6,254.67	6,318.85	-64.18
Oslo	OSK	555.78	555.89	-0.11
London	FTSE 100	4,149.60	4,201.90	-52.30
Madrid	Stock Exchange	887.24	904.79	-17.55
Milano	MBTEL	248.98	249.45	-0.47
Paris	CAC 40	4,170.01	4,186.35	-16.34
Stockholm	SX 18	4,045.16	4,076.01	-30.85
Vienna	ATX	1,202.82	1,210.35	-7.53
Zurich	SMI	4,580.65	4,597.79	-17.14

Source: Reuters International Herald Tribune

Very briefly:

- Total SA's profit fell 18 percent in the second half of 1998, in line with its estimate, as slumping oil prices cut second-half profit to 449 million euros (\$493 million) before one-time charges from 549 million euros in 1997.
- Britain's unemployment total grew by 4,300 last month, to 1,311,000 people, but the jobless rate remained at 4.6 percent.
- Bayerische Motoren Werke AG is on the verge of setting up a joint venture with a group in the Russian enclave of Kaliningrad to build its midrange 5 Series model and Rover cars. In the initial stage, BMW would invest 40 million to 50 million Deutsche marks (\$22.5 million to \$28.05 million). Capacity is expected to be about 10,000 vehicles annually.
- German wholesale prices fell 0.5 percent in February, ending two months of increases, as energy and food costs dropped. Prices were down 4.5 percent from a year earlier, surpassing analysts' forecasts of a 3.9 percent drop.
- Eodesa SA, a Spanish power company, is negotiating to sell its 7.9 percent stake in the oil company Compania Espanola de Petroleos to Banco Central Hispano SA.
- The International Monetary Fund's office in Ukraine will recommend renewing a \$2.2 billion loan package to the former Soviet republic that was suspended last November because the IMF said Ukraine had been slow in carrying out reforms.
- DaimlerChrysler AG was due to unveil Wednesday in the United States a compact car powered by fuel cells that seats five people and is said to be able to travel 280 miles (450 kilometers) before refueling and reach speeds of 90 miles per hour. The NECAR4, based on the Mercedes-Benz A-class compact car sold in Europe, also would be an emissions-free vehicle.

(Bloomberg, AFP, AP)

KPN Warns On '99 Profit

AMSTERDAM — KPN NV said Wednesday that earnings rose 5 percent in 1998 but warned that profit this year would decline because of adverse regulatory rulings and increased competition.

KPN, the top Dutch telecommunications provider, posted profit from ordinary operations last year of 2.04 billion guilders (\$1 billion), against 1.94 billion guilders in 1997, and net income of 1.52 billion guilders.

But it said profit from ordinary operations this year was likely to fall to 1.6 billion guilders. KPN's shares closed down 2.95 euros at 37.50 (\$41.22).

Like other former European phone monopolies, KPN's earnings have been eroded by tougher regulation and increased competition. The Netherlands is now home to five mobile-phone companies, and the regulatory agency OPTA has dogged KPN since the market was opened to competition last year.

"They've stuck with too-high prices for too long," Peter Wortel of Delta Lloyd Bank said.

(Reuters, Bloomberg)

REAL: Brazil's Markets Are Showing Signs of a Rebound

Continued from Page 19

Brazil's economic difficulty occurring in the first half of the year, with a recovery, if an anemic one, starting late this year or early in 2000.

The willingness of banks to keep lending to some companies comes after the government's plan to narrow the budget deficit was endorsed last week by the International Monetary Fund. The IMF agreed to provide a \$9.3 billion installment from its \$41.5 billion aid package, some of which the central bank can spend to combat currency speculation.

The Brazilian currency, though

recently improved, has lost 35 percent of its value since the government abandoned market support for it two months ago. Yet the severity of the recession brought on by devaluation is a main reason some analysts forecast resumed growth soon. Lower economic activity — with economists forecasting output to shrink as much as 6 percent in the first quarter — should translate into lower consumer demand for most goods, keeping inflation in check.

The likelihood that inflation will not gallop out of control as it did in the early '90s, when price increases of 60 percent a month were common, allows consumers and compa-

nies to plan more comfortably.

Still, it is too early to tell whether the new optimism on trading floors foretells any change in the bleak economic reality.

Confidence in Program

Financial officials and private bankers expressed growing confidence in Brazil's economic reform efforts. The Associated Press reported from Paris.

"We are confident that Brazil is on the right track and that their program is credible and strong," the president of the Inter-American Development Bank, Enrique Iglesias, said at the end of the group's annual meeting.

PESO: Mexico Seems Untouched by Latin American Crisis

Continued from Page 19

that Mexico is no longer an oil-based economy. It is clearly an economy tied to the United States."

Hermilio Blanco Mendoza, the commerce minister, said that in the five years since the North American Free-Trade Agreement went into effect, Mexico had received \$37 billion for long-term projects, becoming second only to China among developing countries in this kind of foreign investment.

Bernd Leissner, president of Volkswagen de Mexico SA de CV, said the company planned to in-

crease production this year by 55 percent compared with 1997 levels and to raise exports by 80 percent. It has invested \$1 billion in its plants in the state of Puebla to build the new Beetle.

Mr. Leissner said that the North American trade pact and a similar one that Mexico is negotiating with Europe have made auto exports much easier, allowing Volkswagen's Mexican operation to "join the major leagues of our industry worldwide."

In 1998, when oil prices plummeted and world markets wobbled, Mr. Zedillo made three

preemptive budget cuts to keep the deficit at a maximum of 1.25 percent, as he had promised. In Brazil, the Latin American country with which Mexico is most frequently compared, President Fernando Henrique Cardoso has battled a fractious Congress and moved more slowly on fiscal reform.

Mr. Zedillo got a much warmer reception from foreign executives Tuesday than he did from Mexican industry leaders he met with Thursday. Mexican businesses remain hampered by a lack of credit and are wrestling with declining export sales because of the peso's strength.

WORLD STOCK MARKETS

Wednesday, March 17

Prices in local currencies

in euros for ECU countries

High	Low	Close	Prev.
Amsterdam	3,542.52	3,493.44	+49.08
Brussels	3,542.52	3,493.44	+49.08
Frankfurt	3,077.45	3,094.65	-17.20
Copenhagen	575.18	585.51	-10.33
Helsinki	6,254.67	6,318.85	-64.18
Oslo	555.78	555.89	-0.11
London	4,149.60	4,201.90	-52.30
Madrid	887.24	904.79	-17.55
Milano	248.98	249.45	-0.47
Paris	4,170.01	4,186.35	-16.34
Stockholm	4,045.16	4,076.01	-30.85
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Source: Reuters

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Brussels	3,542.52	3,493.44	+49.08
Frankfurt	3,077.45	3,094.65	-17.20
Copenhagen	575.18	585.51	-10.33
Helsinki	6,254.67	6,318.85	-64.18
Oslo	555.78	555.89	-0.11
London	4,149.60	4,201.90	-52.30
Madrid	887.24	904.79	-17.55
Milano	248.98	249.45	-0.47
Paris	4,170.01	4,186.35	-16.34
Stockholm	4,045.16	4,076.01	-30.85
Vienna	1,202.82	1,210.35	-7.53
Zurich	4,580.65	4,597.79	-17.14

Source: Reuters

Singapore		Stocks Traded:		1479154	
www.sse.com.sg		Primitives:		1479154	
10.18	8.10	7.25	8.05	8.10	
10.37	7.25	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	
	8.10	7.25	7.25	7.25	

The 1,000 most traded National Market securities.
In terms of dollar value, updated twice a year.
The Associated Press.

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Sl. No.	Particulars	Amount	Total
1	Salaries and Wages	1000000	1000000
2	Grants-in-Aid	500000	500000
3	Capital Expenditure	200000	200000
4	Revenue Expenditure	300000	300000
5	Reserve Fund	100000	100000
6	Depreciation	50000	50000
7	Interest on Loans	20000	20000
8	Income Tax	10000	10000
9	Gifts and Donations	5000	5000
10	Other Income	2000	2000
11	Profit and Loss	1000	1000
12	Dividends	500	500
13	Retained Earnings	200	200
14	Minority Interest	100	100
15	Other Reserves	50	50
16	Provisions	20	20
17	Contingencies	10	10
18	Unrealized Gains	5	5
19	Unrealized Losses	2	2
20	Other Items	1	1
21	Net Income	1000000	1000000
22	Net Loss	0	0
23	Net Assets	1000000	1000000
24	Net Liabilities	0	0
25	Net Equity	1000000	1000000
26	Net Debt	0	0
27	Net Cash	1000000	1000000
28	Net Receivables	0	0
29	Net Payables	0	0
30	Net Inventory	0	0
31	Net Fixed Assets	0	0
32	Net Intangible Assets	0	0
33	Net Current Assets	0	0
34	Net Current Liabilities	0	0
35	Net Long-Term Assets	0	0
36	Net Long-Term Liabilities	0	0
37	Net Short-Term Assets	0	0
38	Net Short-Term Liabilities	0	0
39	Net Working Capital	0	0
40	Net Capital	0	0
41	Net Debt Capital	0	0
42	Net Equity Capital	0	0
43	Net Total Capital	0	0
44	Net Total Assets	0	0
45	Net Total Liabilities	0	0
46	Net Total Equity	0	0
47	Net Total Debt	0	0
48	Net Total Cash	0	0
49	Net Total Receivables	0	0
50	Net Total Payables	0	0
51	Net Total Inventory	0	0
52	Net Total Fixed Assets	0	0
53	Net Total Intangible Assets	0	0
54	Net Total Current Assets	0	0
55	Net Total Current Liabilities	0	0
56	Net Total Long-Term Assets	0	0
57	Net Total Long-Term Liabilities	0	0
58	Net Total Short-Term Assets	0	0
59	Net Total Short-Term Liabilities	0	0
60	Net Total Working Capital	0	0
61	Net Total Capital	0	0
62	Net Total Debt Capital	0	0
63	Net Total Equity Capital	0	0
64	Net Total Total Capital	0	0
65	Net Total Total Assets	0	0
66	Net Total Total Liabilities	0	0
67	Net Total Total Equity	0	0
68	Net Total Total Debt	0	0
69	Net Total Total Cash	0	0
70	Net Total Total Receivables	0	0
71	Net Total Total Payables	0	0
72	Net Total Total Inventory	0	0
73	Net Total Total Fixed Assets	0	0
74	Net Total Total Intangible Assets	0	0
75	Net Total Total Current Assets	0	0
76	Net Total Total Current Liabilities	0	0
77	Net Total Total Long-Term Assets	0	0
78	Net Total Total Long-Term Liabilities	0	0
79	Net Total Total Short-Term Assets	0	0
80	Net Total Total Short-Term Liabilities	0	0
81	Net Total Total Working Capital	0	0
82	Net Total Total Capital	0	0
83	Net Total Total Debt Capital	0	0
84	Net Total Total Equity Capital	0	0
85	Net Total Total Total Capital	0	0
86	Net Total Total Total Assets	0	0
87	Net Total Total Total Liabilities	0	0
88	Net Total Total Total Equity	0	0
89	Net Total Total Total Debt	0	0
90	Net Total Total Total Cash	0	0
91	Net Total Total Total Receivables	0	0
92	Net Total Total Total Payables	0	0
93	Net Total Total Total Inventory	0	0
94	Net Total Total Total Fixed Assets	0	0
95	Net Total Total Total Intangible Assets	0	0
96	Net Total Total Total Current Assets	0	0
97	Net Total Total Total Current Liabilities	0	0
98	Net Total Total Total Long-Term Assets	0	0
99	Net Total Total Total Long-Term Liabilities	0	0</

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U.S. Coast Guard	Ship	Class	Year	Length	Beam	Depth	Displacement	Speed	Range	Armament	Notes
1001	USSC	1001	1965	100	20	10	1000	15	1000	100	100
1002	USSC	1002	1965	100	20	10	1000	15	1000	100	100
1003	USSC	1003	1965	100	20	10	1000	15	1000	100	100
1004	USSC	1004	1965	100	20	10	1000	15	1000	100	100
1005	USSC	1005	1965	100	20	10	1000	15	1000	100	100
1006	USSC	1006	1965	100	20	10	1000	15	1000	100	100
1007	USSC	1007	1965	100	20	10	1000	15	1000	100	100
1008	USSC	1008	1965	100	20	10	1000	15	1000	100	100
1009	USSC	1009	1965	100	20	10	1000	15	1000	100	100
1010	USSC	1010	1965	100	20	10	1000	15	1000	100	100
1011	USSC	1011	1965	100	20	10	1000	15	1000	100	100
1012	USSC	1012	1965	100	20	10	1000	15	1000	100	100
1013	USSC	1013	1965	100	20	10	1000	15	1000	100	100
1014	USSC	1014	1965	100	20	10	1000	15	1000	100	100
1015	USSC	1015	1965	100	20	10	1000	15	1000	100	100
1016	USSC	1016	1965	100	20	10	1000	15	1000	100	100
1017	USSC	1017	1965	100	20	10	1000	15	1000	100	100
1018	USSC	1018	1965	100	20	10	1000	15	1000	100	100
1019	USSC	1019	1965	100	20	10	1000	15	1000	100	100
1020	USSC	1020	1965	100	20	10	1000	15	1000	100	100
1021	USSC	1021	1965	100	20	10	1000	15	1000	100	100
1022	USSC	1022	1965	100	20	10	1000	15	1000	100	100
1023	USSC	1023	1965	100	20	10	1000	15	1000	100	100
1024	USSC	1024	1965	100	20	10	1000	15	1000	100	100
1025	USSC	1025	1965	100	20	10	1000	15	1000	100	100
1026	USSC	1026	1965	100	20	10	1000	15	1000	100	100
1027	USSC	1027	1965	100	20	10	1000	15	1000	100	100
1028	USSC	1028	1965	100	20	10	1000	15	1000	100	100
1029	USSC	1029	1965	100	20	10	1000	15	1000	100	100
1030	USSC	1030	1965	100	20	10	1000	15	1000	100	100
1031	USSC	1031	1965	100	20	10	1000	15	1000	100	100
1032	USSC	1032	1965	100	20	10	1000	15	1000	100	100
1033	USSC	1033	1965	100	20	10	1000	15	1000	100	100
1034	USSC	1034	1965	100	20	10	1000	15	1000	100	100
1035	USSC	1035	1965	100	20	10	1000	15	1000	100	100
1036	USSC	1036	1965	100	20	10	1000	15	1000	100	100
1037	USSC	1037	1965	100	20	10	1000	15	1000	100	100
1038	USSC	1038	1965	100	20	10	1000	15	1000	100	100
1039	USSC	1039	1965	100	20	10	1000	15	1000	100	100
1040	USSC	1040	1965	100	20	10	1000	15	1000	100	100
1041	USSC	1041	1965	100	20	10	1000	15	1000	100	100
1042	USSC	1042	1965	100	20	10	1000	15	1000	100	100
1043	USSC	1043	1965	100	20	10	1000	15	1000	100	100
1044	USSC	1044	1965	100	20	10	1000	15	1000	100	100
1045	USSC	1045	1965	100	20	10	1000	15	1000	100	100
1046	USSC	1046	1965	100	20	10	1000	15	1000	100	100
1047	USSC	1047	1965	100	20	10	1000	15	1000	100	100
1048	USSC	1048	1965	100	20	10	1000	15	1000	100	100
1049	USSC	1049	1965	100	20	10	1000	15	1000	100	100
1050	USSC	1050	1965	100	20	10	1000	15	1000	100	100
1051	USSC	1051	1965	100	20	10	1000	15	1000	100	100
1052	USSC	1052	1965	100	20	10	1000	15	1000	100	100
1053	USSC	1053	1965	100	20	10	1000	15	1000	100	100
1054	USSC	1054	1965	100	20	10	1000	15	1000	100	100
1055	USSC	1055	1965	100	20	10	1000	15	1000	100	100
1056	USSC	1056	1965	100	20	10	1000	15	1000	100	100
1057	USSC	1057	1965	100	20	10	1000	15	1000	100	100
1058	USSC	1058	1965	100	20	10	1000	15	1000	100	100
1059	USSC	1059	1965	100	20	10	1000	15	1000	100	100
1060	USSC	1060	1965	100	20	10	1000	15	1000	100	100
1061	USSC	1061	1965	100	20	10	1000	15	1000	100	100
1062	USSC	1062	1965	100	20	10	1000	15	1000	100	100
1063	USSC	1063	1965	100	20	10	1000	15	1000	100	100
1064	USSC	1064	1965	100	20	10	1000	15	1000	100	100
1065	USSC	1065	1965	100	20	10	1000	15	1000	100	100
1066	USSC	1066	1965	100	20	10	1000	15	1000	100	100
1067	USSC	1067	1965	100	20	10	1000	15	1000	100	100
1068	USSC	1068	1965	100	20	10	1000	15	1000	100	100
1069	USSC	1069	1965	100	20	10	1000	15	1000	100	100
1070	USSC	1070	1965	100	20	10	1000	15	1000	100	100
1071	USSC	1071	1965	100	20	10	1000	15	1000	100	100
1072	USSC	1072	1965	100	20	10	1000	15	1000	100	100
1073	USSC	1073	1965	100	20	10	1000	15	1000	100	100
1074	USSC	1074	1965	100	20	10	1000	15	1000	100	100
1075	USSC	1075	1965	100	20	10	1000	15	1000	100	100
1076	USSC	1076	1965	100	20	10	1000	15	1000	100	100
1077	USSC	1077	1965	100	20	10	1000	15	1000	100	100
1078	USSC	1078	1965	100	20	10	1000	15	1000	100	100
1079	USSC	1079	1965	100	20	10	1000	15	1000	100	100
1080	USSC	1080	1965	100	20	10	1000	15	1000	100	100
1081	USSC	1081	1965	100	20	10	1000	15	1000	100	100
1082	USSC	1082	1965	100	20	10	1000	15	1000	100	100
1083	USSC	1083	1965	100	20	10	1000	15	1000	100	100
1084	USSC	1084	1965	100	20	10	1000	15	1000	100	100
1085	USSC	1085	1965	100	20	10	1000	15	1000	100	100
1086	USSC	1086	1965	100	20	10	1000	15	1000	100	100
1087	USSC	1087	1965	100	20	10	1000	15	1000	100	100
1088	USSC	1088	1965	100	20	10	1000	15	1000	100	100
1089	USSC	1089	1965	100	20	10	1000	15	1000	100	100
1090	USSC	1090	1965	100	20	10	1000	15	1000	100	100
1091	USSC	1091	1965	100	20	10	1000	15	1000	100	100
1092	USSC	1092	1965	100	20	10	1000	15	1000	100	100
1093	USSC	1093	1965	100	20	10	1000	15	1000	100	100
1094	USSC	1094	1965	100	20	10	1000	15	1000	100	100
1095	USSC	1095	1965	100	20	10	1000	15	1000	100	100
1096	USSC	1096	1965	100	20	10	1000	15	1000	100	100
1097	USSC	1097	1965	100	20	10	1000	15	1000	100	100
1098	USSC	1098	1965	100	20	10	1000	15	1000	100	100
1099	USSC	1099	1965	100	20	10	1000	15	1000	100	100
1100	USSC	1100	1965	100	20	10	1000	15	1000	100	100
1101	USSC	1101	1965	100	20	10	1000	15	1000	100	100
1102	USSC	1102	1965	100	20	10	1000	15	1000	100	100
1103	USSC	1103	1965	100	20	10	1000	15	1000	100	100
1104	USSC	1104	1965	100	20	10	1000	15	1000	100	100
1105	USSC	1105	1965	100	20	10	1000	15	1000	100	100
1106	USSC	1106	1965	100	20	10	1000	15	1000	100	100
1107	USSC	1107	1965	100	20	10	1000	15	1000	100	100
1108	USSC	1108	1965	100	20	10	1000	15	1000	100	100
1109	USSC	1109	1965	100	20	10	1000	15	1000	100	100
1110	USSC	1110	1965	100	20	10	1000	15	1000	100	100
1111	USSC	1111	1965	100	20	10	1000	15	1000	100	100
1112	USSC	1112	1965	100	20	10	1000	15	1000	100	100
1113	USSC	1113	1965	100	20	10	1000	15	1000	100	100
1114	USSC	1114	1965	100	20	10	1000	15	1000	100	100
1115	USSC	1115	1965	100	20	10	1000	15	1000	100	100
1116	USSC	1116	1965	100	20	10	1000	15	1000	100	100
1117	USSC	1117	1965	100	20	10	1000	15	1000	100	100
1118	USSC	1118	1965	100	20	10	1000	15	1000	100	100
1119	USSC	1119	1965	100	20	10	1000	15	1000	100	100
1120	USSC	1120	1965	100	20	10	1000	15	1000	100	100
1121	USSC	1121	1965	100	20	10	1000	15	1000	100	100
1122	USSC	1122	1965	100	20	10	1000	15	100		

AMEX

Wednesday's 4 P.M. Close
The 150 most traded stocks of the day,
up to the closing on Wall Street.
The Associated Press.

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Wednesday's 4 P.M. Close
(Continued)

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ASIA/PACIFIC

Hong Kong Theaters Shut Down to Protest Pirated Films

By Mark Landler
New York Times Service

HONG KONG — Movie theaters closed across Hong Kong on Wednesday to protest the flood of illegally copied films, and an array of local film and pop stars led a rally of 2,000 people to demand a tougher crackdown on piracy.

Film producers said the Hong Kong film industry, once the second-largest exporter of movies after Hollywood, has been devastated by the growth of movies recorded illegally onto compact disks.

Hong Kong was taken off a watch list by the U.S. government last month after it stepped up efforts to raid factories that produce illegally copied material. But executives here say the former British colony remains one of the worst offenders in Asia for copyright violations.

The rally Wednesday also included representatives from the music, cable-television, and computer-software industries — all of whom called on the Hong Kong government to assign police officers to shut down the factories that make illegal software and ar-

rest the merchants who peddle it. Hong Kong's movie industry, in particular, has been hurt by the advent of video compact disks, which can be bought for \$2 in stores or at street stalls, often days before the films are released.

Woody Tsang, the chief executive of the Motion Picture Industry Association, said the industry did not have reliable figures for how much money it lost each year as a result of illegally copied movies. But Mr. Tsang said the box-office revenue of Hong Kong films declined from \$168 million in

1993 to \$54 million last year. And he attributed 95 percent of the decline to piracy.

Theater owners said they lost about \$250,000 by shutting down cinemas for a day. They, too, contend that they are in a battle for survival. Five years ago, Hong Kong had 180 cinemas. Now, with so many people buying bootleg disks instead of tickets to the local multiplex, the number of movie houses has fallen to 73.

In the deserted lobby of Queen's Theater in central Hong Kong, a sign on the box-office window apologized for being closed. It added: "Imagine a city without cinemas. If piracy is allowed to continue, this will be the result."

In a signal that the government regards piracy as a serious issue, Hong Kong's chief executive, Tung Chee-hwa, accepted a petition from the protesters. In a statement, Mr. Tung said: "We will not allow piracy or counterfeiting activities to tarnish Hong Kong's reputation."

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Japan Passes Plan To Raise Spending

The Associated Press
TOKYO — The budget for the next fiscal year, intended to revive the Japanese economy, was passed into law Wednesday even though one house of Parliament voted against the record-high spending package.

Opposition parties rejected the \$1.9 trillion yen (\$69.5 billion) budget Wednesday in Parliament's upper house, where the ruling coalition is in the minority, but the vote was a mere formality, as the bill had already passed the more powerful lower house.

The approval of the budget was the swiftest in postwar history, reflecting a growing urgency within the government about attempts to reinvigorate the world's second-largest economy.

Speedy establishment of the budget demonstrates how important the matter is, Prime Minister Keizo Obuchi said Wednesday.

The legislation increases government spending by 5.4

percent and calls for 10 trillion yen in new public-works outlays. It is combined with a plan to cut taxes by 9 trillion yen.

Mr. Obuchi said: "Thanks to previous financial stabilization measures and the supplementary budget, the economy appears to be bottoming out. Now we intend to confront the future in a positive way."

The spending is widely expected to bring short-term relief to the sputtering Japanese economy, but critics fear it will merely delay the painful process of making Japanese industry more efficient.

There are also worries that the budget will dangerously inflate Japan's national debt, already one of the highest in the industrialized world.

The government will have to float a record 71.13 trillion yen of bonds to finance the package.

After two years of recession, Mr. Obuchi has vowed to ensure that the economy returns to growth in the fiscal



Mr. Obuchi speaking at the \$1.9 trillion yen budget was passed Wednesday.

year beginning April 1.

The government announced last week that the economy had shrunk for the fifth straight quarter. But the Economic Planning Agency said Monday the slump was showing signs of bottoming out.

The budget passed the lower house of Parliament late February with the votes of the Liberal Democratic Party and its coalition partner, the Liberal Party. Under Japan's constitution, budget legislation need only be approved by the lower house.

Iridium Satellite Launch Called Off

Compiled by Our Staff From Dispatches

BEIJING — China's launch of a satellite for the U.S.-led Iridium global telephone network has been postponed indefinitely because of technical problems, executives from the companies involved said Wednesday.

The launch, which had been set for Friday, was rescheduled for Monday and then scrubbed, said an executive in Beijing with Iridium LLC, a U.S.-led consortium, who spoke on condition of anonymity. Geng Kun,

spokeswoman for China Great Wall Industry Corp., the government-backed company that launches commercial satellites, said there had been "technical problems on both sides."

The executive said the satellite, if launched, would not have operated properly and had been shipped back to the United States for repairs.

The delay is not the first setback for the Iridium project to provide wireless telephone, data and paging services worldwide. Software

problems with phone handsets, the high cost of the service and the lack of a good sales force have kept potential subscribers away.

Iridium, based in Washington, said this month that it expected to fall short of first-quarter subscriber and revenue targets and would have to modify its credit agreement.

Shares of Iridium World Communications Ltd., Iridium's investment vehicle, were trading in New York at \$20.125 late Wednesday, up 37.5 cents. (AP, Bloomberg)

Slimmer Sime Darby Posts Profit

Compiled by Our Staff From Dispatches

KUALA LUMPUR — Sime Darby Bhd. said Wednesday that by jettisoning its unprofitable bank, selling assets and earning more money from its plantations, it had reversed its previous first-half loss to post a group net profit for the six months to December.

The company posted a profit of 518.2 million ringgit (\$136.4 million) profit, reversing a loss of 676.2 million ringgit in the year-ago period.

"The group has returned to profitability this year following the decision to withdraw from banking," Sime Darby said.

It said it expected its 150 million ringgit subordinated

loan to Sime Securities Sdn. and 100 million ringgit equity in the RHB Bank group to be repaid when the disposal of Sime Bank is completed.

The company's exit from the banking industry — into which it sank about 2 billion ringgit — and its return to profit will allow it to focus on its main palm oil business. (AFP, Bloomberg)

Investor's Asia

Hong Kong	Singapore	Tokyo
Hang Seng	Straits Times	Nikkei 225
11000	1550	17000
10500	1400	16000
10000	1250	15000
9500	1100	14000
9000	950	13000
8500	800	12000
8000	650	11000
7500	500	10000
7000	350	9000
6500	200	8000
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Exchange Index All Ordinaries Wednesday Prev. Close Change

Hong Kong	Hang Seng	10,940.07	10,911.25	+28.82
Singapore	Straits Times	1,470.16	1,468.54	+1.62
Sydney	All Ordinaries	2,977.80	2,992.20	-14.40
Tokyo	Nikkei 225	16,296.11	16,072.92	+223.19
Kuala Lumpur	Composite	511.85	511.80	+0.05
Bangkok	SET	356.80	354.95	+1.85
Seoul	Composite Index	800.52	801.83	-1.31
Taipei	Stock Market Index	6,767.07	6,872.23	-105.16
Manila	PSE	1,982.79	1,981.84	+0.95
Bahia	Composite Index	367.88	379.45	-11.57
Wellington	NZSE-40	2,168.91	2,182.32	-13.41
Bombay	Sensitive Index	3,672.71	3,744.18	-71.47

Source: Reuters International Herald Tribune

Very briefly:

- Apollo Leasing Co., a major Japanese financing firm, has decided to go into liquidation with debts of some 500 billion yen (\$4.3 billion) after failing to persuade creditors to waive loan repayments through a rehabilitation plan, the newspaper Nihon Keizai reported.
- China's Three Gorges Dam, the world's largest hydroelectric project, still needs 25 billion yuan (\$3 billion) for the second phase of construction, but the development company in charge of the project said it would not have any trouble raising the money.
- Senior finance officials of the Association of South East Asian Nations met Wednesday to plan a ministerial meeting on ways to avoid future economic shocks and steer the region back to the growth path.
- Indonesia, the only Asian member of the Organization of Petroleum Exporting Countries, is ready to cut crude oil production by 4 percent, or 34,000 barrels a day, in line with an agreement among OPEC members.
- News Corp., a company once blacklisted by China's leaders, on Thursday will become the first international media company permitted to open a representative office in the country.
- Hitachi Ltd., the Japanese electric machinery maker, has received a 25 billion yen order from GE Power Systems, a unit of General Electric Co., for equipment used in electric power plants. (AFP, Bloomberg)

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WORLD ROUNDUP

NFL Picks L.A.

FOOTBALL National Football League team owners decided Tuesday that they would prefer that Los Angeles rather than Houston get the NFL's 32d team. The owners voted, 29-2, in favor of Los Angeles. The Oakland Raiders, who claim they own the Los Angeles market, was one of the teams voting against.

The owners declined to pick one of the two Los Angeles ownership groups and instead awarded the franchise contingent on Los Angeles' getting a stadium and financing by Sept. 15. If it fails, Houston will get the team.

The owners also fined Eddie DeBartolo, the owner of the San Francisco 49ers, \$1 million and extended his ban through the 1999 season for his part in a Louisiana gambling scandal.

The Baltimore Ravens got the quarterback they coveted, obtaining Scott Mitchell from the Detroit Lions for two draft picks.

The Jacksonville Jaguars made Tony Boselli the highest-paid offensive lineman, with a four-year contract extension worth \$26 million. (AP)

Blue Jays Fire Manager

BASEBALL Tim Johnson, whose managerial career was derailed by lies about his military service in Vietnam, was fired by the Toronto Blue Jays on Wednesday and replaced by Jim Fregosi. Gord Ash, the general manager, said the move was made because the controversy was interfering with the team. The Blue Jays are 3-12 this spring. (AP)

Flyers Continue to Fall

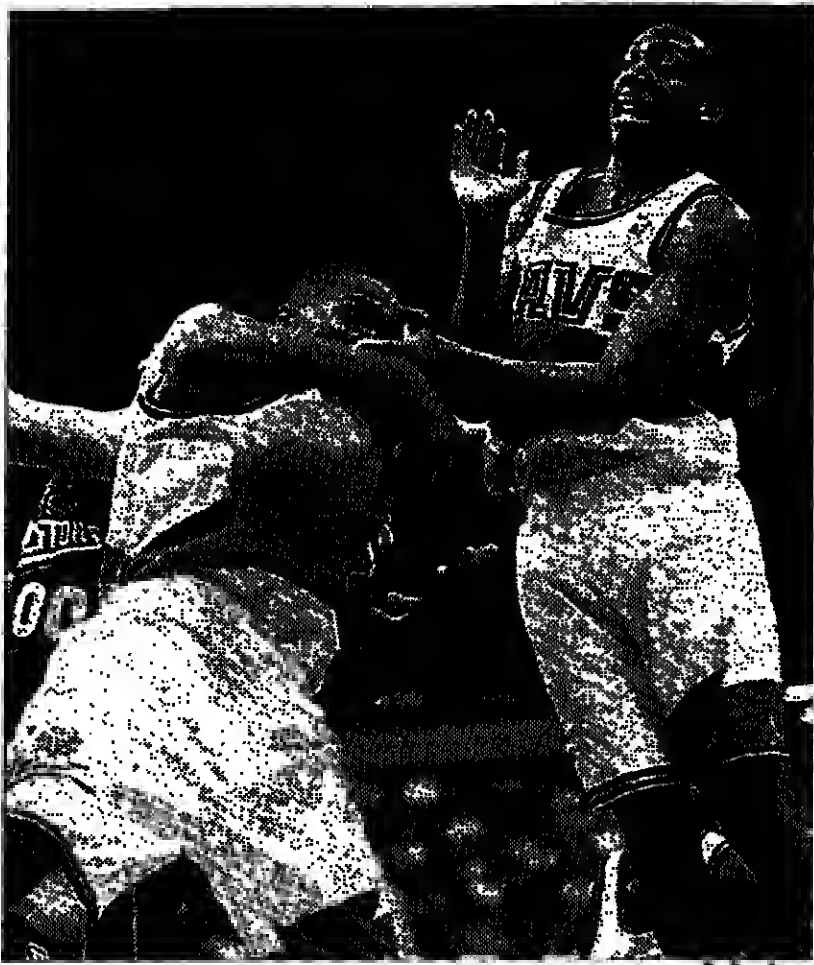
ICE HOCKEY Roger Neilson, the Philadelphia Flyers coach, was ejected as his team stretched its winless streak to 12 games by losing, 5-2, Tuesday in St. Louis. Neilson threw a stick on the ice in the third period. The Flyers have slid from first to sixth in the Eastern Conference. Neilson became angry when Jody Hull of the Flyers was yanked down by Terry Yake before Pavel Demitra put St. Louis ahead, 3-1. "I've been ejected a few times," Neilson said. "I've thrown a stick a few times, too. I was just throwing it over there, and it kind of went crooked and the linesman had to duck." (AP)

Bartoli Takes Victory

CYCLING Michele Bartoli, who rides for the Mapei team, won the Tirreno-Adriatico race Wednesday. The Italian had taken the overall lead by finishing second in Sunday's fifth of eight stages. He did not win a stage. (AP)

Olympians Protest

OLYMPICS A disillusioned group of Canadian Olympians launched an athletes' coalition Tuesday to challenge the International Olympic Committee. Led by Mark Tewksbury, the 1992 Olympic gold medal-winning swimmer, OATH (Olympic Advocates Together Honorably) hopes to help restore the tarnished Olympic spirit and act as a watchdog over the IOC. "I have watched with great sadness in the past three months as the spirit of the Olympics has been betrayed by the actions of the IOC," Tewksbury said.



Corie Blount, left, and Wesley Person of Cleveland chasing a rebound.

Heat Overpowers Wizards

Miami Gains Confidence With 11th Home Victory

THE ASSOCIATED PRESS
After 16 victories in its last 18 games, Miami, according to Alozo Mourning, is ready to take its game to the next level. "We're on the verge of becoming one of the elite teams," Mourning said Tuesday night after his 19 points.

NBA Roundup

and 14 rebounds paced Miami to a 94-85 victory over the Washington Wizards in Miami. "We're getting there, but we won't be satisfied until we get to the finals."

Miami (17-5), the best team in the Eastern Conference, is tied with Portland for the NBA's second-best record behind the Utah Jazz (18-4).

The Heat is riding a five-game winning streak and has won its last 11 home games. "When your team becomes confident and is recognized as one of the top teams in the league, you have to keep that going," said Pat Riley, coach of the Heat. "We have established that."

Tim Hardaway scored 24 points, including a fadeaway jumper with 53 seconds left, and added nine assists to complement Mourning's effort.

Mitch Richmond scored 22 points, and Juwan Howard added 18 and a career-high 15 rebounds for the Wizards.

Kniks 113, Clippers 89 In New York, Latrell Sprewell scored a season-high 31 points in the second quarter to pace the Knicks, who scored the first 14 points of the game.

It was the third victory in three nights for the Knicks.

Hawks 85, Pacers 79 Steve Smith hit two free throws with 7.9 seconds left to lift Atlanta to victory in Indianapolis, the Hawks' fourth straight.

Alon Henderson led the Hawks with 19 points, and Dikembe Mutombo had 20 rebounds in ending the Pacers' four-game winning streak.

Cavaliers 86, Pistons 82 Andrew DeClercq had a career-best 17 rebounds in

his home debut for Cleveland, and Brevin Knight scored a season-high 19 points for the Cavaliers.

Shawn Kemp added 20 points and 9 rebounds for the Cavs, who won despite shooting just 33 percent from the floor.

Raptors 100, Nets 85 In Don Casey's first game as coach since replacing John Calipari, who was fired, New Jersey lost again, this time in Toronto.

The Raptors' Vince Carter had 20 points and 15 rebounds, and the Nets fell to 3-18.

Lakers 107, Timberwolves 101 Glen Rice and Shaquille O'Neal combined for 46 points in Minneapolis as the Lakers won for the 11th time in 12 games since Kurt Rambis replaced Del Harris as coach.

Dennis Rodman missed his second game since taking a leave of absence for personal reasons.

Suns 110, Bucks 92 Cliff Robinson scored 20 points and Tom Gugliotta 19 in Milwaukee for Phoenix, which led by 32 at one point in the second quarter.

Milwaukee lost its fourth straight since trading away Terrell Brandon and Tyrooe Hill.

Rockets 101, Trail Blazers 93 Scottie Pippen had 18 points and 9 assists in Houston after a pregame talk with his coach, Rudy Tomjanovich.

"I was happy, we talked, that's all I'm going to say," Pippen said after complaining about not being more involved in the offense. "I like to get started early and let the team feed off my energy."

SuperSonics 87, Grizzlies 85 In Seattle, Vin Baker's tip-in with half-second left saved the Sonics and handed Vancouver its 13th straight loss.

"I'm not really creative with my left hand, but it happened to be at the right place with the ball," Baker, who finished with 31 points, said of his game-winning off-Detlef Schrempf's miss.

Spartans 121, Kings 109 San Antonio won its eighth in a row as Tim Duncan had 29 points and 12 rebounds, and Avery Johnson had 17 points and 15 assists in Sacramento.

Like College Hoops? Head South

Knoxville, Tennessee, Boasts the Best Lineup for the Round of 16

By John Feinstein
Washington Post Service

WASHINGTON — If you truly love college basketball, the place to be when the round of 16 gets under way Thursday night is Knoxville, Tennessee.

There are two reasons for this: First, the South Region, which will be played there, is the only regional that was not ravaged by upsets last weekend. It has the only surviving No. 2 seed (Maryland); one of two surviving No. 3 seeds (St. John's), and the only surviving No. 4 seed (Ohio State).

The lure of the South Region and the romance of the other underdog-laden regional is the perfect summation of why the National Collegiate Athletic Association tournament is the marketing gold mine that it is for both the NCAA and CBS, the U.S. television network that is broadcasting the competition. We love the upsets produced on the first weekend, especially by The Little Teams That Can — Gonzaga, Miami (Ohio), Southwest Missouri State and Weber State. But we also enjoy the matchups that are produced when all the seeds survive, as they did in the South.

So as we move on to weekend No. 2, let's examine the pairings and try to figure out who will be in Tampa for the Final Four a week from Saturday.

EAST This will be called the Duke Invitational approximately 9,432 times this week, and there is every reason to believe the "host" team will walk off with the nets Sunday.

The last team in the world that needed any help in this thing was Duke," said Gary Williams, the Maryland coach, laughing. "And they can get to the Final Four without playing anyone higher than a sixth seed."

True, Miami (Florida), Cincinnati — the one team to beat the Blue Devils this year — and Tennessee are gone. In their place are No. 6 Temple, No. 10 Purdue and Duke's next opponent, No. 12 Southwest Missouri State.

The only reason not to believe that this is a walkover for Duke is that all three of these teams have quality coaches who

will have their teams prepared.

Having said that, it will take a huge effort for any of them to upset Duke. Southwest Missouri State held Wisconsin and Tennessee to 27 percent shooting over the weekend, and Temple is capable of giving teams fits with its matchup zone (ask Cincinnati). Purdue coach Gene Keady has been to the final eight once, in 1994. That year, he had to face Duke. He lost. If he and his team get past Temple, they will probably face Duke again and the result probably will be similar.



SOUTH Any of the teams could win. And Maryland-St. John's may be the tournament's best matchup to date. Both teams will race up and down the floor, and the coaches, Williams and Mike Jarvis, know each other well.

Williams has been to the round of 16 five times — four at Maryland, one at Boston College — never beyond. The smart money is on St. John's after its devastating performance against Indiana. But the thinking here is this: Always beat against a team coming off its best performance. Maryland wins — in overtime. Then it beats Ohio State, which wins against Auburn because Scoonie Penn is a bit better than Doc Robinson.

MIDWEST The favorite here is not Michigan State, the top seed. It is Kentucky, because Kentucky is Dracula. It is going to take a team with a wooden stake to kill these guys, and no one heading for St. Louis appears to have one. The Spartans are very good — they've won

20 games in a row — and they should beat Oklahoma.

Sadly, Kentucky will end the run of Wallyworld because Wally Szczerbiak and his mates at Miami are a wonderful story and, well, Kentucky is Kentucky. The Wildcats have won two NCAA tournament games in two years that were eminently loseable: Duke, Stanford and Utah last year and Kansas on Sunday. They win those games because Wayne Turner, Scott Padgett and Heshimu Evans simply don't believe they're going to lose and because Tubby Smith is every inch the coach Rick Pitino was.

Kentucky-Michigan State in the regional final will be another terrific game. Mateo Cleaves versus Turner is a great matchup, and Tom Izzo has proven he can coach with anybody. But Kentucky will make plays down the stretch and go to its fourth straight Final Four.

West Jim Calhoun will not sleep this week. That is because the Connecticut coach knows that if his team doesn't make the Final Four this year, he'll never make it. If the East is the Duke Invitational, then the West is the Husky Classic. Gone from the West are No. 2 seed Stanford, No. 3 North Carolina and No. 4 Arkansas. In their place are No. 5 Iowa, No. 6 Florida and No. 10 Gonzaga.

The best team in that bunch may well be Gonzaga, which was in control of its game with Stanford all the way. If Florida has three-point shots, the Gators will beat the Zags. If Florida doesn't shoot well, Gonzaga makes the round of eight.

Tom Davis, the outgoing coach, keeping his career at Iowa going for another week is already a great story. He made a rare emotional outburst Saturday at the end of the Hawkeyes' victory over Arkansas. Good for him. But when your players give you the game ball, it is usually an indication that they feel the mountain has been climbed. It has. Connecticut plays a lot like Iowa, but with better players. There is no reason for anything to derail the Huskies. Unless Florida makes a bunch of three-pointers. No, let's not even go there. The thought of the entire state of Connecticut falling into the Atlantic Ocean is just too daunting.

CROSSWORD

ACROSS

- 1 Wisconsin dairy product.
- 5 Cried.
- 15 Like Niccolò Paganini.
- 16 Basement fixture.
- 17 Vagabond, in 37-Across.
- 18 Big banana exporter.
- 19 Food, money over.
- 20 Don Juan.
- 21 Pain.
- 22 District in Japan.
- 26 Not just a hike.
- 27 Nipper.

DOWN

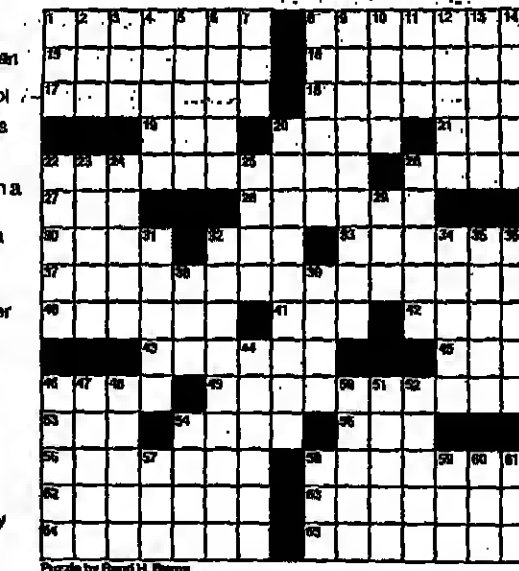
- 2 Buzzing about.
- 3 Forming an aspect proper.
- 4 Sheep, in 37-Across.
- 6 Not arse.
- 8 University in Garden City, N.Y.
- 9 Border.
- 10 Showcase tips.
- 11 Great Basin Natl. Park locale.
- 12 Influence.
- 13 Electricity pioneer.
- 14 Duty.
- 15 Grand slam foursome.

DOWN

- 1 Like a system of society.
- 2 Cnap.
- 3 1930's Spanish queen.
- 4 "A." "Flinders" (1959 best performer).
- 5 Director.
- 6 Jonathan.
- 7 Easy.
- 8 Slimpy's TV pal.
- 9 Food, in 27-Across.
- 10 Algin.
- 11 Address Balin.
- 12 "M*A*S*H" role.
- 13 St. Cyr, for one.
- 14 Movie "10".
- 15 Fugitives.
- 16 Tractor blades.

DOWN

- 23 Morocco's capital.
- 24 Ancient Roman marketplace.
- 25 Mountain pool.
- 26 Pusillanimous.
- 27 Chow down.
- 28 It may be rounded up in a roundup.
- 29 Backwater, in 37-Across.
- 30 Mix.
- 31 Clock watcher.
- 32 Blast.
- 33 Last king of Albania.
- 34 Fumble, with "up".
- 35 In groups.
- 36 Put on.
- 37 Live corduroy.
- 38 Filing.
- 39 Gulf war ally.
- 40 Slogan writers.
- 41 Trap.
- 42 Totally both.
- 43 On the — vive.
- 44 Head bone.
- 45 Pig, deliverer.
- 46 When repeated, a dance.
- 47 One of TV's "Boomer Buddies".



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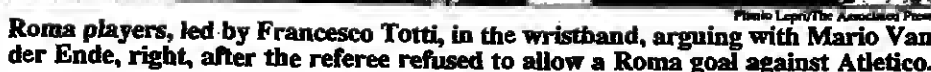
Disgruntled Tennis Parents Want a Pro Kid

By Robin Finn
New York Times Service

Instead of making a dream debut on Key Biscayne, Florida, this week at the Lipton Championships, Viede, who is shopping for a clothing contract, settled for an invi-

"Nick immediately said how great she was, that she was better than Kournikova

Loehr, a sports psychologist and eligibility commission member. "We're also talking about preventing injuries." ■



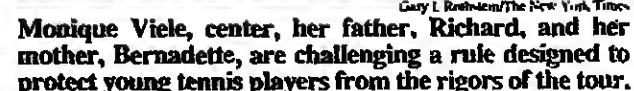
Compiled by Our Staff From Dispatches

EUROPEAN SPECIES

Atletico hit back in the 52d minute when Carlos Aguilera, a defender, stole in at the back post to meet a deep cross from Michele Serena, Atletico's Italian defender, and volley the ball into the goal. Delvecchio and Fabio

Argentineans scored Parma's other four goals. Hernan Crespo hit two and Abel Balbo and Juan Veron one each. (AP, AFP, Reuters)

■ Ginola Gives Spurs Victory. David Ginola skated past four defenders before scoring the only goal as Tottenham won, 1-0, in Barnsley to reach the semifinal of the English FA Cup, Reuters reported from Barnsley, England.



BASEBALL

Miami	17	5	.773	—	411; F. Smith 10-26-4
Orlando	16	7	.696	1 1/4	Rebourns; Atlanta 59
New York	14	9	.609	3 1/2	55 (D. Davis 13)
Philadelphia	12	9	.571	4 1/2	(Blystock 5), Indiana

20	20	23	23	85	L.A. Lakers	31	18	28	32	107
28	13	22	18	79	Minnesota	29	23	24	23	101

4-1019, Blockyack 4-11 2-
 2-22, Miller 4-10 3-4 15.
 Lakers: O'Neal 7-9 10-18 24, Rice 8-17 2-2
 22, Mc Smith 7-15 8-12 22, Garnett 10-22 0-3

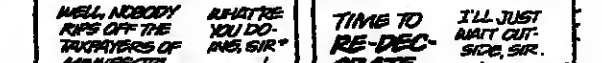
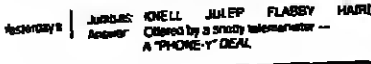
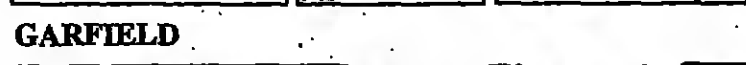
NIT TOURNAMENT		CENTRAL DIVISION					
		W	L	T	Pts	GF	GA
	Detroit	33	28	6	72	196	170
TUESDAY RESULTS	St. Louis	29	28	10	68	193	178

7-10-11—28. S.J.—3-11-13—27. Goodies: P.

FOOTBALL
NATIONAL FOOTBALL LEAGUE
BALTIMORE—Acquired QB Scott Mitchell from Detroit for 1999 3d-round draft choice

QUARTERFINALS, RETURN LEG
 Parma, Italy, 6; Bordeaux, France, 0
 Parma won 7-2 on aggregate.
 Lucie Emence 2; Bologna, Italy, 0

PEANUTS



ART BUCHWALD

Greatest Inventions

NEW YORK — The worst thing about the millennium is that we are now being bombarded with lists. We are offered the best news stories of the last 100 years, the most important people, the most outstanding athletes etc. etc.

I have a list. Mine is, "The Greatest Inventions of the Century" — the ones that changed our lives so we'll never be the same.

The first is the mute button on the television remote. Buchwald created so mankind would no longer have to listen to commercials. The mute button was invented by Forest Mute in his garage in Hackensack, New Jersey. Mute was looking for a method of bypassing Howard Stern on the air when he accidentally deadened the sound on his set. When he could do the same on color TV, he knew he was a success.

The person who has never received fair credit for his contribution to our culture is Lamar Beach, who developed the first Scotch tape dispenser. Until Beach's inven-

tion, people pulled the tape off its roll and got it tangled all over their fingers.

Virginia Wild was an ordinary housewife until she came up with the idea for eye shadow. She noticed that when she got up in the morning, her eyes looked glassy and were lacking in mystery.

So she picked up a piece of charcoal from the fireplace and darkened the area around her eyes. Men became attracted to her, and when word got out about it, eye shadow became de rigueur in the free world. Virginia became a zillionaire and bought all the coal mines in Pennsylvania to assure her eye shadow company an adequate supply.

Zion Zimrod was the inventor of "fat-free fat." For years, most of the large American food companies were trying to come up with fat-free fat to make fat-free foods taste better. Zion got the idea to use chicken fat. He put the fat in a microwave oven at 1,000 degrees and then set it on fire.

The residue was fat free, and not one white rat who tested it gained a pound. Unfortunately, Zion forgot to patent it and hasn't made a dime on his discovery, although 2 out of 3 doctors recommend it.

Schiele Art Inquiry to Continue

New York Times Service

NEW YORK — A state appeals court has ruled that the Museum of Modern Art cannot return two Egon Schiele paintings to Austria until a criminal investigation into their ownership is concluded. The ruling reversed the decision of a lower court that had allowed the museum to return the paintings, which it had borrowed from the Leopold Foundation in Vienna.

The Manhattan district attorney, Robert Morgenthau, is examining charges that the paintings, confiscated from Jews by the Nazis, had improperly made their way after World War II into the private collection of Rudolf Leopold, a Viennese ophthalmologist, who later sold them to the Leopold Foundation, which is financed by the Austrian government.

The museum said it would appeal the decision.

A South Korean Film Makes Art Successful

By Don Kirk
International Herald Tribune

SEOUL — The director Kang Je Gyu may have solved the great mystery of the South Korean film industry: how to make a movie that fills local theaters for weeks on end, reaps a small fortune and, for a while, trounces the competition from abroad, notably the United States.

"There are two genres of movies," Kang said recently. "One is commercial, the other artistic. The audience cannot tell what is commercial, what is artistic."

Kang thinks he overcame the barrier with an action drama called "Swiri" that, as far as South Korean viewers are concerned, has it all: fast-moving, vicious violence, a love story that has them dabbling at their eyes and a political message that gets at the tragedy of a divided nation.

"For this film, I explained what I was thinking," Kang said. The 38-year-old has been involved in filmmaking since his student days but had directed only one movie before. "I know what the audience needs. Some people are divided between the commercial and the artistic, but a movie is a movie, and it has to be mixed."

If that philosophy seems a little obvious, it is almost at the level of a fresh discovery among South Korean filmmakers, whose efforts at international artistic acclaim have resulted in box-office bombs at home. Until "Swiri," in fact, South Korean films, artistic and commercial alike, were often shown just to fill the demands of a quota law that requires theaters to put on South Korean-made films 106 days a year.

Fearing that foreign movies might completely destroy their industry, Korean film people are defending the law against U.S. pressure to revoke it as a barrier to free trade and freedom of expression. The intensity of the crusade tends to provoke foreign observers, notably those interested in distributing movies here, into seeing it as a reflection of the complexities of a society once known as the "Hermit Kingdom."

Why, foreign film people ask, don't the Koreans produce movies of their own that can withstand the foreign threat? Koreans answer that no producer here can begin to match the budgets of the Hollywood blockbusters that arrive for limited runs and earn fortunes for local theater-owners, who are accustomed to taking losses the rest of the year on Korean films.



Kim Yun Jin, left, and Choi Min Sik in "Swiri," directed by Kang Je Gyu.

That was until "Swiri" opened four weeks ago. Ever since, lines have been forming outside the 35 theaters where it is showing in Seoul. Since the film opened Feb. 13, 3.4 million people have seen it, a record for that time frame, says the producer, Samsung Entertainment Group. By the time the movie disappears from screens in May or June, Samsung expects that more than 5 million South Koreans will have seen it, breaking the previous record of 4.5 million set by "Titanic."

Samsung predicts that the gross will reach about \$20 million, another local record. Those numbers, Kang pointed out, represent a return on an investment of about \$2.5 million. "That's about one percent of the cost of a Hollywood film," he said, but it is the most money ever spent on a Korean film, which is typically produced for less than \$1 million.

So what does "Swiri" offer that moviegoers cannot get at the nearest Hollywood flick or one of those Hong Kong action pictures that draw crowds throughout Asia?

"The difference between a 'Swiri' and a Hong Kong or Hollywood film is that ours is close to the Korean reality," Kang said. "Hong Kong action films are more like a spectacle, a dance movement. We know we can't compete with the money or technology of Hollywood, but we're closer to reality."

There have been a lot of Korean cops and mystery films, but ours was the first Korean action film.

The most distinctively Korean element in the film is not the shoot-outs, the seemingly random killings, the chases through the streets of Seoul or the airborne pursuits — it is the drama of North versus South. The message is so political, so powerful as propaganda, that the armed forces are showing it to troops and national leaders have endorsed it. At the same time, for South Koreans, it is achingly emotional.

The story opens with a group of terrorists being trained in the North. A young, fanatic woman, played by Kim Yun Jin, is shown, among things, bayoneting prisoners to death under the tutelage of a swarthy, arrogant man in a leather jacket.

The woman goes to Japan for a face-lift, changing appearance and name, then surfaces in the South. There she hooks up with a South Korean intelligence agent, living with him while taking orders from her old teacher, this time in charge of an entire team of terrorists stalking the South.

She becomes enmeshed in a love triangle with Han Suk Kyo, the good Southern intelligence agent, and Choi Min Sik, the arrogant spy chief from the North. The two men are South Korea's best-known actors,

another boost for the movie. The terrorists communicate via secret code, in the form of a *swiri*, a freshwater fish unique to Korea and a symbol of the oneness of the divided Korean Peninsula.

A morality tale on the evils of communism? Perhaps, but Kim said she thinks the love triangle that is superimposed on the terrorism angle makes the movie. "What's wonderful about this film," she said, "is that despite the conflict, the difference between North and South, love is the answer."

One might dispute that interpretation after seeing the hair-raising climactic stadium sequence. Instead, it seems to ask, are peace and unification impossible after all?

"Swiri" definitely opened up the possibility here of different genres," Choi said. "People are willing to take risks, to invest in different genres. 'Swiri' will help to open up people's minds."

A breakthrough for South Korea, no doubt, but is "Swiri" ready for the world? Samsung Entertainment Group plans to distribute it to Hong Kong and Singapore, both large cities with audiences that love action films, whatever the politics, and hopes to market it in Japan and Germany.

Could "Swiri" make it in the United States? Samsung Entertainment is not sure, but Kim has hopes, if not for this movie, then for South Korean films cast in the same mold. "I would love to do a film where both Korean production and American production are involved," she said. "Korean films are not known in Hollywood. You have a sense in America of Japanese film and Chinese film, but not Korean."

If the point of "Swiri" is lost upon American audiences, Kim said, she hopes it will serve as a passport to Hollywood for Kang, the director.

"With this low-budget film, I hope he makes his way to Hollywood," she said. "If 'Swiri' was a milestone for Korean cinema, then he can represent a milestone for Korean film directors."

Kang sees "Swiri" as leading to more of the same — and better — in South Korea. "When people saw Korean cinema, they never thought of developing different genres," he said. "Swiri" changed that. They said: 'Yes, Swiri' can be successful.' It changed attitudes. It caused a huge response in people. Now a lot of politicians see how important the movie business can be in opening up society, in making changes."

PEOPLE



ON THE TOWN — The model Elizabeth Hurley and the actor Hugh Grant arriving for the Los Angeles premiere of her movie "ED TV."

THE BOXING champion Muhammad Ali is in the middle of a fight over the rights to his life story. His former adviser, Jabir Herbert Muhammad, and Jason Hirschfeld, the son of Ali's former lawyer, say they share the rights with Ali, and they are suing in federal court to stop a Columbia Pictures film about the heavyweight champion. The movie is set to star Will Smith. Muhammad and Hirschfeld say Ali sold Columbia the rights to his story without consulting them, and are seeking \$50 million in damages from Columbia's parent, Sony Pictures Entertainment Inc. Ali and Sony Pictures said they "categorically reject" the allegations.

The Irish singer Sinéad O'Connor said that she would grant her former companion, John Waters, custody of their daughter Roisin, whom she would continue to see on weekends and during school vacations. "I'm not a bad mother. That's not why I am giving up custody," O'Connor said in a statement.

She had said last month that she would take Waters to court after he accused her of mistreating their 2-year-old daughter, in what she called an attempt to gain custody. The authorities later confirmed that no charges of child abuse were pending against the singer.

A century or so ago, the 4th Duke of Northumberland restored Britain's Alnwick Castle, the magnificent medieval fortress where his family has lived for nearly 1,000 years. His descendants are undertaking a project as fittingly grandiose: A £15 million pound (\$24 million) garden that could be Europe's most ambitious horticultural venture this century and a strong tourist draw. A decidedly modern duchess, the former Isobel Jane Miller, is looking for a commercial sponsor, and she has set up a Web site to help her in her search. She hopes the new garden will be completed by 2001 — a child-friendly display of pools, floodlit fountains and landscaped rosebush hedges, complete with a garden for the senses, one of poisonous

plants, and another of fruits and vegetables. It would be open to the public year-round.

Suzi Menkes, fashion editor of the International Herald Tribune, was named Fashion Journalist of the Year by the British Fashion Council on Wednesday.

The German tenor Peter Schreier said he would retire from opera on his 65th birthday on July 29, 2000. He told the daily *Dresdner Morgenpost* that he would also step down as a regular ensemble member of Berlin's Staatsoper. But he would not turn his back on music altogether, he said, and would continue to give recitals of German lieder, sing oratorios and conduct.

'Chainsaw Massacre' Gets Its Day in Britain

The Associated Press

LONDON — "The Texas Chainsaw Massacre" will finally be screened at British theaters, nearly a quarter century after it was banned by censors for being too shocking.

The film, which inspired a generation of slasher movies, is now set to hit theaters nationwide April 9 after it was approved for moviegoers 18 and older by the British Board of Film Classification. It was presented to the board again in preparation for its 25th anniversary re-release.

The board's president, Andreas Whittam Smith, said Tuesday that much of the film's notoriety in Britain arose from its rejection by censors in 1975.

"For modern young adults accustomed to the macabre shocks of horror films through the 1980s and 1990s, 'The Texas Chainsaw Massacre' is unlikely to be particularly challenging," Smith said.

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